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EDITORIAL

As We See It

The Democratic leadership, which has for some time past been reported looking earnestly about for good "campaign material," has evidently arrived at the conclusion that the time has come for a "give-em-Hell" sort of attack upon the Administration. Its "Advisory Council," upon which sit most of the influential leaders of the party, accordingly now issues a number of sweeping indictments of the Administration. The political merits of this tactic at this time, and even the question of the validity of the charges, we gladly leave to others better prepared to pass judgment. We are not disposed, however, to pass the matter by without notice since these spokesmen for the party make it distressingly clear that nothing constructive could be expected of any return to power of the Democratic party.

Consider the charges leveled at the Administration on account of its management of foreign policy, and then reflect upon what these charges imply as to the attitude of the Democratic party!

Take this passage from their indictment:

"The Administration has . . . tailored our defense establishment to meet preconceived budget goals rather than to provide the strength needed to preserve our national existence. As supposed budgetary pressures have become more intense, the Administration has increasingly starved our national defense.

"Earlier this year, the Administration presented to the Congress its 'minimum' program for national defense. But in a few months—

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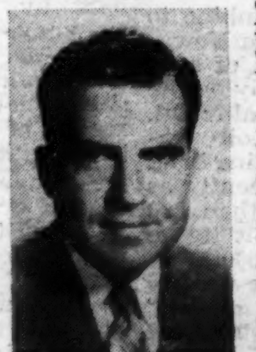
The World of Tomorrow Is in Our Hands

By HON. RICHARD M. NIXON*
Vice-President of the United States

In evaluating the Russian satellite's meaning to us, Vice-President Nixon holds: (1) we could make no greater mistake than to brush it off as a "scientific stunt"; (2) it would be folly to underestimate the challenge we face in the economic field, and (3) our military strength is of greater importance than tax cuts. Taking this U.S.S.R. achievement as a "grim and timely warning," Mr. Nixon outlines a program which would permit our overall superiority to succeed. This includes a doubling or tripling of private U. S. capital investment abroad, passage of such legislation as Reciprocal Trade Act and membership in OTC.

It will be no surprise to find that the major topic of discussion in Washington, just as in San Francisco, Moscow, and in all of our cities, is the Soviet satellite now circling the globe. Let us consider first what the launching of this satellite means from a military point of view.



Richard Nixon

There has been a great deal of loose talk to the effect that somehow this one event has changed the balance of military power in the world today. It is time that the record be set straight. Militarily the Soviet Union is not one bit stronger today than it was before the satellite was launched. The Free World remains stronger militarily than the Communist World. And we can meet and defeat any potential enemy who might dare to launch an attack. The only major military significance of this event is that the Soviet Union demonstrated again what we had known before—that they had developed the capacity to fire a

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*An address by Mr. Nixon before the International Industrial Development Conference, sponsored by Time-Life International and Stanford Research Institute, San Francisco, Cal., Oct. 15, 1957.

Just Plain Work Lies Ahead for the Gas Industry

By J. J. HEDRICK*
President, Independent Natural Gas Ass'n of America
President, The Peoples Gas Light and Coke Company

Gas transmission industry's spokesman projects increasing gas energy requirements for the next 20 years, despite electric, oil and atomic competition; proudly refers to $8 billion expansion plans for the coming eight years; and expects no supply problems or other difficulties in meeting demand providing revenues are attuned to rising costs so as to attract investors. Mr. Hedrick regrets Gas Bill's dormancy, advances the common interest of producer, pipeline, distributor and the consumer, and attributes pipeline's withdrawal from developing and producing to inadequate incentive. Utters note of urgency regarding present shortsighted policy.

This past year has been a good year in that the Independent Natural Gas and the American Gas Associations have learned to work together in a common cause. We have not relinquished our individual philosophies, rights or interests—rather we have recognized the problems attendant to each phase of the industry and in enlightenment arrived at solutions in the interest of all—the consumer included.

J. J. Hedrick

It is regrettable that as yet the Gas Bill has not been passed by Congress and signed by the President. It did not reach the floor of the House at this session, though approved by the Committee on Interstate and Foreign Commerce and approved for floor action by the Rules Committee. I sincerely believe that such legislation should become law for the good of the industry and consumers. As the members of Congress work on this Bill, they, as we of the industry did, will more fully appreciate the magni-

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*An address by Mr. Hedrick before the American Gas Association's 39th annual convention, St. Louis, Mo., Oct. 9, 1957.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

MAURICE S. BENJAMIN
Senior Partner, Benjamin, Hill & Co.
New York City
Members New York Stock Exchange

McCall Corporation

Whenever a severe break occurs in the general stock market, it seems wise for the investor to look over the list, and pick out some of the most serious casualties. If he sifts through those and finds one where the price seems like a bargain in terms of economic and business analysis, he has come up with "A Favorite Stock."

M. S. Benjamin

For example, **McCall Corp.**, listed on the New York Stock Exchange, sold at 71 11 years ago, 25½ two years ago and is now 14. The lowest price in the past 11 years has been about 13. The company was incorporated in 1913, has always operated profitably, sales have increased in every year but one since 1938 and uninterrupted dividends have been paid since 1926. For 1957 in the first six months earnings were reported as $1.09 vs. 90 cents for the same period a year ago. Volume for the year looks like $67 million, up about 10% over 1956. Current dividends are at the annual rate of 60 cents. The book value is $22.50. Earnings for the past 11 years have averaged $2.84.

The McCall Corporation publishes several periodicals devoted to fiction, fashion, home administration and other topics primarily of interest to women. In addition it prints under contract a number of leading magazines for other publishers and produces a well-known line of dress patterns. The largest single source of revenue is advertising in McCall's magazine (28.4% of the 1956 total). Total ad and circulation revenue accounts for roughly one-half of total sales, with commercial printing one-third, and dress patterns one-sixth.

The company's principal magazines are McCall's with guaranteed monthly circulation of 4,500,000 issues and Redbook with 2,300,000 issues. Other publications include McCall's Pattern Book, McCall's Style News, McCall's Needlework, McCall's Needlework and Craft Annual, and McCall's Children Annual.

The commercial printing division produces magazine for others, including Reader's Digest, Newsweek, and U. S. News & World Report, as well as books and catalogs. More than 768 million magazines and patterns were printed in 1956; 48 different magazines are printed. Dress patterns are carried in over 8,500 stores.

The main printing and pattern manufacturing plant at Dayton, Ohio, contains about one million square feet of floor space. Magazine photoengraving factory, owned in Stamford, Conn., has 15,000 square feet. Wholly-owned subsidiaries are located in England and Australia.

Employees: 4,785. Shareholders: 5,215.

Capitalization consists of $7,500,000 long term debt and 610,665 shares of common stock. Thirty-three percent of the stock is owned by a subsidiary of Hunt Foods & Industries, Inc.

The growth in population over the years ahead, higher personal incomes and more leisure time should benefit McCall's business.

HENRY BRANDT
Financial Advisor
New York City

Kewanee Oil Co.

Finding a clearly defined bargain among the larger crude producers is a difficult task. The great interest of investors in this group has caused the field to be examined very carefully for undervaluation. The hope of the investor is to find a situation involving a substantial company with an excellent management record where the stock has been closely held until recently so as to preclude a buying interest on the part of larger investors.

Henry Brandt

All of these factors combine to produce a bargain issue in Kewanee Oil. The company is of substantial size, approximately on the order of Texas Pacific Coal & Oil. It is one of the oldest oil producers in the country, dating back to 1870. However, as recently as 1951 Kewanee had less than 200 stockholders, although this figure has now grown to over 600. Obviously Kewanee is in the process of transition from an "unknown" to a more actively traded and widely held security. When this transition is complete it is reasonable to expect it to sell in line with other producers of similar size and ability.

Just how good is Kewanee? This is a difficult question to answer in the case of a crude producer. If all companies would talk about the same thing when reserves are estimated, the degree of gain would be a helpful guide in assessing management ability. However, there are wide variations of reserve estimates for a single company and often the management is completely silent on the matter.

Over a period of time, crude reserves are going to be reflected in crude production. While it is definitely true that the reserve production ratio will vary greatly from field to field, over a period of time companies with interests in hundreds of fields will have reasonably comparable ratios in the absence of special factors which can usually be noticed.

Therefore, as a test of management which has the advantage of being tangible, we have compared the gain in production between 1946 and 1956 of Kewanee with six well-known companies listed on the New York Stock Exchange, who derive over 80% of their revenue from crude production. It will be noted from the statistical data that Kewanee is somewhat larger than one of the companies, about the same size as the second, and smaller than the other four.

During the 1946-56 period Kewanee's production gain was considerably greater than that of any of these highly regarded companies and 80% better than the average of the six of them. This was not the result of any single successful strike but a consistently sound program of drilling and purchase. This consistency is demonstrated by the fact that during the first five years of the period Kewanee's advantage relative to the better known companies was just about the same as during the last five years.

Clearly, on the basis of the past record Kewanee not only belongs in the same league as the companies in the table but should certainly be in the first division if not the pennant winner on managerial ability. One factor certainly affecting this management performance is that probably on the order of 80% or more of the 983,000 shares outstanding are held by interests close to the company. The company's President, Mr. William Wikoff Smith has provided the inspired leadership under which the outstanding record of the past 11 years has been achieved.

All investors realize that, in the case of crude producers, reported net profit figures are virtually meaningless, since it is the cash earnings which represent the amount management has at its disposal for exploration, purchases, dividends, etc. As can be seen from the table showing the relation of price to cash earnings, Kewanee is selling for only 40% of the average of the listed companies with inferior records of production gains. If Kewanee were to sell at the average ratio commanded by any of the other companies, the price would be about $110 per share. Certainly the record shows that Kewanee's cash earnings are going to be used as effectively as those of any of the other six companies. Yet the market, due to lack of investor awareness, values these earnings at a 3.9:1 ratio instead of at a 8.5:1 ratio, which would appear more realistic.

The stockholder of the six companies listed on the Stock Exchange may have the satisfaction of looking at quotations daily but the owner of Kewanee has the satisfaction of knowing he is obtaining over twice the production, reserves and cash flow for each dollar he invests.

The company should be ripe for further gains in production. During 1954 Kewanee had six wildcat successes in 26 tries. During 1955 both the number and percentage increased to 12 out of 31 successes. In 1956 management came through with an amazing 36 out of

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Producer—	Production 1956 (000 bbls.)	Production Gain 1946-1956	Cash Inc. Per Share 1956	Approx. Current Market	Price/ Cash Income
Amerada	32,872	82%	$10.47	97	9.3x
Honolulu	13,436	39	6.60	41	6.2x
Seaboard	14,701	89	7.50	66	8.8x
Superior	25,093	62	128.40	1,385	10.8x
Texas Gulf Prod.	4,947	72	3.06	27	8.9x
Texas Pacific C. & O.	7,580	74	4.16	28	6.7x
Average		70%			8.5x
KEWANEE	7,032	126%	12.80	44	3.4x

This Week's Forum Participants and Their Selections

McCall Corporation — Maurice S. Benjamin, Senior Partner, Benjamin, Hill & Co., New York City. (Page 2)

Kewanee Oil Company — Henry Brandt, Financial Advisor, New York City. (Page 2)

How to Achieve Stability Without Booms and Recessions

By ELLIOTT V. BELL*
Editor and Publisher
"Business Week" Magazine

A critical time ahead, due to business slow-down and Soviet arms-race success, is foreseen by "Business Week" publisher unless more money is spent on defense and foreign aid, and more effective and better-coordinated fiscal-monetary policies, including stand-by direct credit controls, are substituted for the price stabilization techniques of tight money and recession-unemployment corrections. Mr. Bell praises formation of top-level economic council; criticizes suggestions making currency stability the principal economic objective; finds anathematic the price and employment instability under the gold standard; and warns we must promote growth in all directions.

This century has brought astonishing progress in material things. We have seen triumphs of transportation, communication, sanitation, the flowering of every branch of science and invention, the release of energy culminating in the fateful splitting of the atom, and now, the launching by the U.S.S.R. of the first man-made satellite. Yet in two crucial areas of life, we have been repeatedly defeated—the search for enduring peace and the struggle for economic stability.


Elliott V. Bell

Now these problems of war and stability are intertwined. Certainly the Great Depression grew out of our failure to deal with the economic consequences of the first World War and the author of World War II, Adolf Hitler, emerged like a slimy salamander from the ashes of the Great Depression.

With respect to the threat of war, there is maddeningly little that you and I can directly do about it. This matter is, indeed, so desperate we are constrained to leave it to Almighty God — and John Foster Dulles.

Matter of Economic Stability

In the matter of economic stability, I hold the opinion—perhaps it is an illusion but I nourish it—that we can do something. In this matter I am convinced that all of us, especially all of us in banking, can have a decisive influence on the outcome. We can have an effect not only by how we behave as individuals and businessmen, but especially by our influence on public opinion and public policy.

Everyone is in favor of stability, but men differ greatly on how to achieve it. This is partly because we differ in our ideas of what stability is. A Wall Street banker's idea of stability may be very different from that of a Detroit auto worker or an Iowa farmer. Indeed, one man's stability can be another man's chaos.

This is best seen by a backward glance at the changing concepts of stability over the past 30 or so years.

Following World War I the dominant idea of stability was exchange stability—the maintenance of the currency at a fixed price in gold. The whole matter then was considered the exclusive concern of international bankers and statesmen.

Anathematic Gold-Standard

The gold-standard idea of exchange stability was not at all inconsistent with marked instability of employment and prices. Indeed, the rise and fall of wages and prices within a country was the accepted means of adjusting the international balance of payments and thus maintaining external stability of exchange.

In the years between 1925 and 1933 the gold standard became anathema to millions as nation after nation fought a losing struggle to maintain external stability of the currency at the price of growing internal deflation of prices, wages, profits and opportunity. As the depression deepened, people ceased to care about foreign exchange stability but they were mightily interested in more jobs, better pay and—in the farm belt at least—a recovery of prices from the disastrous level of 20 cent corn and 3 cent hogs.

So during the '30's there emerged a new concept of the goal of stability—altogether different from the pre-depression concept. This new idea was popularly called full employment.

Full Employment Goal

Specifically, it called for disregarding external matters and concentrating on policies calculated to promote and maintain a constant flow of job opportunities at home. So powerful and universal was this concept that when the United Nations was formed in 1945 full employment was written into its charter as a goal to which all free nations were pledged. Paralleling the full employment concept—and preceding it in political acceptance—was the idea of farm price parity—something which I need hardly define.

Implicit in both these concepts was the belief that rising prices

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*An address by Mr. Bell before the 71st Annual State Convention of the Iowa Bankers Association, Des Moines, Iowa, Oct. 21, 1957.

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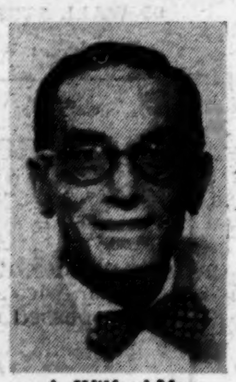
Observations . . .

By A. WILFRED MAY

"ATOMS FOR POWER"—SOME IMPLICATIONS AND COMPLICATIONS

HARRIMAN, N. Y.—With all of us now scientific and technological experts since the advent of *Sputnik*, revelation of the many nettlesome problems confronting policy makers shaping our country's nuclear future is most constructive. This is firmly brought home by the proceedings at a five-day meeting of 65 authoritative representatives of science, business and government participating in the 12th American Assembly at Arden House here.



A. Wilfred May

The deliberations here were directed at a particular problem, the utilization of atomic energy for the production of power, with the focus on the United States and the policies which it should adopt. But even here the ramified implications inevitably spill over into wide areas in national and international terms with serious involvement within foreign policy considerations, including Cold and Hot War.

Europe's energy problem, and the United States involvement therein, were impressively depicted by Max Kohnstamm, Secretary of the Action Committee for a United States of Europe, and one of the drafters of *A Target for Euratom*. On leave as Secretary General of the High Authority of the European Coal and Steel Community, Mr. Kohnstamm flew here from the Netherlands to deliver his message.

Europe's energy problem, which he maintained must be fully shared by the United States, he sees as becoming constantly more serious. This stems from the Western European countries' dependence, in line with their increasing energy needs, on Middle East Oil with its difficult political problems.

THE NEED FOR EDUCATION

One of the many pressing goals requiring the most intelligent and ardent attention atom-wise stems from the hiatus in effective education. The group found, as one of its conclusions, that the importance for society of the development of peaceful uses of atomic energy is widely felt but inadequately understood, with the observation, "the immediate and universal use of atomic power has been oversold. Ultimate possibilities both in the United States and more especially in the world at large have been mistaken for present realities." The group stated further along these lines that our continuing and new objectives must be clearly stated and widely publicized, particularly since the effective participation of both labor and industry is indispensable.

THE PUBLIC VERSUS PRIVATE SCHISM

As confirmed at these deliberations, the opening up of this new industry demonstrates anew the long-term overhanging schism between private and public power. Although in the interest of keeping the proceedings reasonably expedited, it was agreed at the outset to maintain a "truce" on the question here, vehement debate thereon nevertheless persisted midst a "tongue-in-cheek" armistice. Specifically recognizing that the relative roles of public and private enterprise still constitute an important political issue, the group managed to arrive at the conclusions that because of the unique problems involved, government must continue to play a large role; that private industry cannot alone absorb the cost of research experimentation and construction of atomic power plants; that "the dependence of private industry upon government assistance in atomic power development is inescapable; with the problem remaining for some time of finding a formula for equitable distribution of costs between the stockholder, the consumer, and the taxpayer.

THE NEED FOR A REFORMULATED PROGRAM

Seemingly the most significant conclusion arrived at by this high-level confab was agreement on our country's need for a realistically renovated program, under enlivened Federal leadership. It is felt that prior policies adopted in the framework of conditions valid at the time have become outmoded. Specifically, the controversial Atomic Energy Commission was called on for greater progress in the power field.

"The desired rate of progress calls for the AEC to assume more positive leadership and direction" said the conferees. "In the light of newly defined objectives, the Commission should promptly prepare and disseminate a more carefully coordinated and scheduled program for both governmental and non-governmental activity. It should provide the financial support needed to make possible such private as well as governmental activity. To this end, the AEC should take steps to strengthen its internal administration of the program, with primary emphasis on positive accomplishment of its objectives in the power field.

"Opinions differ on the most desirable means by which the Commission should achieve these results. One line of thought favors the establishment of a broadly constituted advisory group to help in the framing of the program. [sic] The necessity of securing the cooperation of the Joint Congressional Committee is obvious. It is thought by some that implementation of the program, when formulated, can best be secured through Presidential action based on the advice of the National Security Council."

* * *

Can a *Sputnik* supply us with the stimulus to break through these problems under our democratic processes?

COMING EVENTS

In Investment Field

Nov. 5-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Nov. 13, 1957 (St. Paul, Minn.)
Twin City Investment Women's Club dinner meeting at Town and Country Club.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

Jan. 17, 1958 (Baltimore, Md.)
Baltimore Security Traders Association 23rd annual midwinter dinner at the Southern Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Banks for Cooperatives Offer Debentures

The 13 Banks for Cooperatives offered publicly yesterday (Oct. 23) $50.5 million of 10-month consolidated collateral trust debentures, through their fiscal agent, John T. Knox, and a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 5% per year. Interest is payable with the principal at maturity. They are dated Nov. 1, 1957, and will mature Sept. 2, 1958.

Proceeds from the sale of these consolidated debentures, together with other funds, will be used to redeem the $51,200,000 of 3.8% debentures due Nov. 1, to repay short-term borrowings, and for lending operations.

These consolidated, secured debentures are the joint and several obligations of the 13 Banks for Cooperatives. Chartered under the provisions of the Farm Credit Act of 1933, the banks operate under the supervision of the Farm Credit Administration. The banks make and service loans to farmers' marketing, purchasing, and business service cooperatives on term particularly suited to their needs.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production the past week continued its uneven trend, although demand for steel ingots, according to "Steel" magazine, is keeping production steady. Output of electric energy in the latest week turned moderately lower as did freight car loadings, while automotive output registered a gain of 75.4%, boosting the total figure of 1958 model cars to 200,000 thus far.

Turning to retail trade for the country as a whole, Dun & Bradstreet, Inc., noted that total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% higher than a year ago.

Initial claims for unemployment insurance rose almost 10%, reflecting seasonal cutbacks in the apparel, textile, construction and lumber industries and more layoffs in the automotive industry for the model change-over process. Claims were 45% higher than a year ago. The most noticeable increases occurred in Pennsylvania, Connecticut and California, offsetting decreases in Michigan and New York.

Except for a few relatively tight products, steel sales are being made today by good old-fashioned doorbell ringing and fast delivery promises, "The Iron Age," national metalworking weekly, states this week.

"The Iron Age" adds that steel salesmen are out in force, including top-echelon sales executives.

Most steel users have been able to shift the inventory burden onto the mills. They are holding their own inventories to a minimum, counting on the producers to come through with emergency tonnages when needed. They know that if one mill can't make delivery, another will be happy to do so.

Easiness in steel has hit sheets, strip, bars, wire and tinplate and other coated products. Still holding firm are heavy plates and wide-flange structural beams. Demand for oil country goods is not so hectic as it once was, but there are still enough orders on the books to keep this product moving at a fast pace for the rest of the year, declares this trade authority.

The auto companies are still content to wait and see how their new models will sell. While their steel inventories are far from robust, they do not plan to commit themselves for heavy tonnages until they see which way the wind is blowing.

Apparently the furor over Russia's satellite and increased tension in the Middle East has failed to touch off any scare buying of steel. Steel users are buying strictly on the basis of their own business outlook and what they know about the availability of various steel products.

The steel scrap market has really hit the skids. Prices were off again this week to the lowest level in more than two years. Some scrap buyers apparently intend to keep out of the market for the balance of the year. Others are buying in small lots at lower and lower prices, concludes "The Iron Age."

Estimated national income, the United States Department of Commerce reported, would show a further rise for the third quarter of 1957, continuing the unbroken climb since the fall of 1954.

In an article in the department's monthly survey of current business, the agency noted that national income for the first half of this year was at an annual rate of about $357,000,000,000, up 5½% from the like period of 1956. The department said gains of $2,000,000,000 to $3,000,000,000 were recorded in each of the first two quarters of the year and added: "A further rise is clearly indicated for the third quarter."

The auto industry forged further ahead last week with a 75.4% gain in production that netted the 200,000th 1958 model built thus far.

"Ward's Automotive Reports" placed the past week's output at 67,769 cars for United States plants as against 38,626 in the preceding period. The above increase nearly equalled the 88,557 cars built in the same week last year.

Bulwarking last week's operations with a 140.4% gain was General Motors Corp. with all of its five car lines in 1958 version assembly for the first time.

"Ward's" added that notwithstanding the fact that Pontiac, Cadillac and Ford joined the 1958 model construction parade during the week, the last producers to do so, the industry may fall just short of meeting its 449,000-unit output target for October.

The statistical agency added, however, that 1958 car manufacture has been satisfactory and totaled 203,081 units through the past week. Of this, Chrysler Corp. has contributed 34.5%, Ford Motor Co. 30.3%, General Motors Corp. 19.4% and all others 15.8%.

October production has suffered as a result of supplier strikes which slowed the start-up of General Motors and Chrysler 1958 scheduling earlier in the month. Further, Lincoln and Edsel programming appears to have been temporarily softened.

"Ward's" said October new car buying opened on a weakened note compared with September but still edged out the year-ago period. It suggested that strong September sales may have served to ease the pressure to move October inventories and added that prospects still are for a satisfactory 1957 sales cleanup.

Steel Mills This Week Expect Output to Yield 79.9% of Ingot Capacity

Consumption of finished steel will hit a record 85,000,000 net tons this year, "Steel" magazine reported on Monday of the current week. About 84,000,000 tons will come from mill shipments

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Liberty, Strength and Justice Under the Republican Banner

By SHERMAN ADAMS*

Assistant to the President of the United States

The President's principal administrative assistant staunchly defends his Administration's budget, national defense and fiscal policies and accomplishments. Calls upon Republicans to cease their "niggling differences" and upon all Americans to close "ranks behind our great President in this crusade of his and ours that concerns the very salvation of freedom in America." Governor Adams touches upon the Little Rock incident in citing differences between the two political parties with regard to liberty, justice and strength. Underscores Administration's preference for missile programs and its separation from satellite program, in belittling current desire to achieve a "high score in an outer space basketball game."

I have a few things to say about the goals of liberty, strength and justice.

Of course, these goals are not Party issues. They are ideals shared by every American. But the ways and means best calculated to reach these goals definitely are Party issues, with tremendous implications to every one of us.

Sherman Adams

For instance, our Party believes deeply that liberty is best preserved by the effort, responsibility and willingness of each individual to dare, and risk, and make his own way. By contrast, our opponents favor planning and control by government that deals with the people as a shepherd looks after his sheep.

Another example is our conviction, equally founded in our faith in the individual, that government ought to be kept as close as possible to the people — that the power and responsibilities of the 48 separate states must be preserved and strengthened—and that the power of the national government must be limited to prevent abuse. Our opponents, however, have the idea that liberty somehow is strengthened as State and local resources are siphoned off to Washington, there to be dispensed by bureaucrats on behalf of the States and communities.

These differences, so keenly sensed by all of us, are becoming almost traditional. I dwell on them—and there are many others —only for this reason: There has been far too much talk to the effect that both parties stand for much the same things, so it doesn't really matter which one runs the Congress or the Executive Branch, or which one handles the affairs of the various States.

The truth is, the parties are so very different that our nation veers sharply according to which one holds the reins of government. Now, let's see what differences this makes.

Do you believe in depending on the people or the government? Well, the record shows that at every reasonable opportunity the Democrats plump for government.

Now, which is better for America—more and more public housing, or more and more private housing? The Democrats support the former, the Republicans the latter.

What about government competition with the businessman and his employees? I refer to automobile repair shops, tree and garden nurseries, bakeries, shoe shops, laundries, coffee roasting plants, dry cleaning plants, tire retreading shops, and so on. Does that kind of government activity strengthen liberty in America? Republicans certainly don't think so. That's why in this Administration many hundreds of such governmental activities wrongly competing with private effort have been shut down. It is evidence of basic Democrat philosophy that this kind of competition was started in their Administration.

The importance of these Party differences shows up all up and down the line, and into our pocketbooks. Because Republicans think the average citizen can spend his money better than the government can, they reduce the cost of government and cut taxes every chance they get. The steady procession of Democrat-sponsored tax increases the past quarter century is due in no small measure to their queer fixation that bureaucrats have a special gift for spending your money in ways mysteriously good for other people.

Just a few more examples:

Would liberty be strengthened if the States were to do their fair share in drought relief? Republicans proposed it. The Democrats won't pass it.

Would liberty be strengthened if the States cleaned up their own water pollution instead of loading it onto Uncle Sam? The Democrats insisted on Federalizing this program. Republicans tried to protect State and local responsibility.

Would we be better off if localities and States shared in the development of the nation's water resources in partnership with the Federal Government? Republicans think so. Democrats say too often that only Federal effort will do.

Should farmers become, in effect, government employees, growing crops on government order for government warehouses and receiving fixed government prices for their products? Is that good for farmers? Does it promote national strength or liberty? Well, the Democrats must think so, because they've done everything they could think of to keep farm programs going that would convert the farmer from an independent member of our free economy into our country's first Federal satellite—a helpless economic toy of the government.

This listing could go much farther, but I believe this central fact is already clear: That is, that our Republican convictions in these matters will prevail only so long as we fight resolutely and enthusiastically for them. That places a high premium on a great effort by everyone here, joined with similar efforts by all of us in Washington and by every Party member in America. Half-heartedness now on the part of any of us can only return our government to the apostles of government by masses and classes maneuvered and manipulated for political ends.

Stresses Little Rock, Ark.

Another Party difference I feel duty bound to mention here. It goes to the heart of justice in our country.

I refer to the shocking events in Little Rock, Arkansas.

There rule by law was subverted to rule by mob.

There State soldiers were used to block the orders of a Federal court.

There the peaceable exercise of their constitutional rights by nine children was allowed to be thwarted by State soldiers and ugly violence.

There, actions have been officially condoned that encouraged lawlessness in major regions of our country.

There, before all the world, America's shining symbol as the land of liberty and justice has been besmirched.

There the evil purposes of America's arch enemies in the world have been powerfully abetted.

Clearly, in Little Rock, liberty and justice have been assaulted and defamed.

America hangs her head in shame.

I mention these tragic events as dramatic additional evidence of the bottomless chasm that cleaves the Democrat Party in two.

Again we see laid bare the cancer that has eaten away that Party's ability to give responsible service at home and abroad.

If we will but look, this is what we see:

The southern-conservative wing of the Democrat Party has a strangle hold on the Congress. The northern-liberal wing, when Democrats are in power, controls the Executive Branch. The two wings totally disagree.

No Democrat Presidential candidate can be elected on his two-party ticket without embracing programs which the southern wing will oppose with all its heart and soul, and with all its entrenched Congressional seniority.

When, therefore, both Democrat wings are in power—one running the Congress, the other the Executive Branch—they are doomed to futility. In this circumstance, a frustrated America is left forlornly holding the sack.

For, on questions of race, the Democrat Party flies apart.

On fiscal and economic affairs, it flies apart.

On the Federal Government's role in our system, it flies apart.

The two wings of the Party hold in common only the desire to hold office. When they achieve this ambition at the same time, their violent contradictions bring the processes of government to a grinding halt.

Thus they are unable to legislate for America.

Thus they are unable effectively to administer the Executive Branch for America.

Thus they are unable to keep their glittering political promises to the American people.

In office they can only talk— and a good deal of that they direct at each other.

In the tragedy of Little Rock there can be little but frightful loss for the American people.

But if events there have revealed at last to all our people the absurdity of the Democrat Party's pretense of being an effective instrument in these critical times, then some lasting good will accrue to every citizen.

Earlier I mentioned strength along with liberty and justice as our three basic goals. Certain it is that liberty and justice will not long survive if America ever grows weak militarily, spiritually or economically.

Two aspects of our nation's strength I want especially to mention here—one, fiscal—the other, military.

Praises Fiscal Record

The relation of our fiscal affairs to the strength of America stands out at once when we think back to the nation's agony under the last Administration: skyrocketing inflation, huge Federal deficits, a mushrooming national debt, an endless tail-chasing of wage and price increases, with wages always a jump or so behind, strikes rampant as a result of economic pressures, the business community hesitant to invest in a future in which the only predictable elements were rising taxes, spiraling inflation, and economic uncertainty.

By contrast, we see from the results achieved these past five years how fundamentally our country's strength is influenced by sound fiscal, monetary and budgetary policies.

Violent cost of living increases were stopped. To be sure, they have edged up recently despite determined governmental counterattacks by every means short of direct economic controls. Determined we are, relentlessly to wage this battle against inflation—and I assure you that political expediency will not be allowed to govern and to lead us to such tragic results as obtained in prior Administrations.

It is also fiscal integrity that brought to a halt the Federal deficits of prior Administrations that in 1953 zoomed up to $9 billion. A $7½ billion a year tax cut was provided. The budget was more than balanced. Surpluses for three years in a row are now in prospect, with $5 billion in down payments on the public debt.

Through such measures, economic uncertainty and apprehension were removed, and American enterprise did as we Republicans thought it would do — it broke every record in the books! Everywhere there was surging economic progress, the evidences of which we see all about us today in millions of new homes, new hospitals, new schools, new industrial plants, new highways, and in a vast outpouring of citizens' dollars for items for their homes, for automobiles, for entertainment and travel. America's prosperity today is surpassed only by the immediate past in this same Administration, and there is every reason to expect it to continue into the foreseeable future.

Confidence in our economic future is in considerable degree due to the certainty that our President and his associates — and indeed the Republican Administration that will succeed this one in 1960 —will never weaken in their determination to hold to sensible budgetary and fiscal goals. Who can speak as optimistically about the probable conduct of the Democrat Congress that will convene next January? Certainly I can't.

What are these budgetary goals? They are a balanced budget, a surplus sufficient to provide a tax cut to benefit every citizen, while annual payments on the public debt continue.

I am sure you realize as well as I do the implications of these goals. They mean stringent budgets in every department of the government. They mean setting aside less urgent activities in favor of the imperatives. They mean discontinuing low-priority programs, delaying others, finding less costly ways to accomplish those that must be done; and these goals also mean that in the communities, towns and cities of America, citizens must support reductions in Federal functions; reductions which will not interfere with a strong defense and essential services, even though their neighborhoods may be affected.

No Military Weakening

I am sure you have been especially aware of the current readjustments in the programs of our armed forces whose multi-

Continued on page 31

*An address by Mr. Adams before Eisenhower Birthday Dinner of the United San Francisco Republican Finance Committee, Oct. 14, 1957.

Detroit Edison

By DR. IRA U. COBLEIGH
Enterprise Economist

A great metropolitan utility characterized by unusual growth, unusual per share payout, and unusual service to its residential customers.

The preeminence of Detroit as the motor capital of the world seems quite to have overshadowed the fact that the Detroit Edison Co. is one of our most distinguished large-city electric companies, serving an area of 7,600 square miles (over three times as large as Delaware) and a population of four million and creating, for 1957, gross revenues of about $260 million from a $1 billion gross property investment.

Ira U. Cobleigh

As a matter of fact some investors have neglected Detroit Edison in the erroneous belief that its earning power was so heavily dependent on automobile and automotive parts manufacture, that it was almost a "one industry" utility and, hence, a cyclically sensitive one. The facts reach a different conclusion. For 1956, farm and residential sales delivered 39% of electric revenues; industrial sales 30%; commercial 27%; and 4% miscellaneous. In addition, the company does some steam heating in downtown Detroit, and owns some small water company properties. 97% of gross in 1956, however, was derived electrically.

To provide the juice for its growing territory DTE has six steam generating, and five hydro electric, plants with present capacity of above 3 billion kw.; plus an additional unit of 320,000 kw. to come on stream next spring. For extra load needs, DTE can get additional power delivery from the Ontario Hydro Electric Commission across the Detroit River; and on occasion the company also reciprocates and sells to the Commission. Capital outlays, actual, for 1956, and projected for 1957, were $89 million, financed in part by sale of $58,834,000 convertible 3¾s marketed in September 1956, and $70 million 1st 4⅞s, privately placed last July.

Utilities generally are in especial favor at this time due to their imputed defense characteristics and their sustained long-term growth in net income and dividend declarations. On these points DTE has been a quite outstanding performer. In the ten-year period 1947-1956 total operating revenue advanced impressively in each and every year, from $106.8 million in 1947, to $236.7 million in 1956—a percentage gain of 122%. Net profits in the same period moved ahead even more rapidly —164%. Cash dividends were increased five times in the ten years. If we accept the dictum that stock prices are the slaves of earning power then DTE common (excusing markets like the current ones) should, on a long-term projection, continue to rise. Adjusted for increase in capitalization, DTE has ranged since 1947 between a low of 20 (1948) and a high of 41⅞ this year.

DTE has gained a considerable reputation for efficiency of its operations. It has actually reduced the number of its operating and maintenance personnel by 6% since 1951 (while gross increased 45%), and now creates a kw. hour of electricity with 90% of the coal it required six years ago.

Looking ahead, Detroit Edison was in the forefront in the planning for atomic generation of electric power. It is the largest shareholder in the Power Reactor Development Corp. which will build, at a cost of about $43 million, a reactor unit outside of Monroe, Mich., and spend $14 million more for a turbine to generate up to 150,000 kw. While the estimated cost of power from this installation is well above present steam (coal burning) generating costs, the operational knowledge gained from this pilot plant may show the way to lower generating costs, by this new technique, in years to come.

Residential electrical users on the Detroit Edison lines are now averaging about 3,000 kw. hours consumed a year, which is just a bit above the national average (2,969 kw. in 1956). They are given a couple of unique inducements, however, to run up their current bills. DTE supplies free light bulbs to householders, and repairs appliances such as electric ranges, refrigerators, toasters or ironers without a labor charge. It draws the line at radios and television sets, however! Many electricity users elsewhere in the country will be interested in this unique repair service deal. In the Detroit area, it has operated not only to cement customer good will and increase electric usage, but it has encouraged customer ownership of DTE common. Of the 88,300 shareholders (approximately), over 60,000 are residents of the State of Michigan.

The present capital structure of DTE consists of about 59% in debt and 41% in common stock. (There is no preferred stock in between.) Detroit Edison has been a consistent exponent of adding to its outstanding common stock by indirect methods. Some years ago if offered 3% debentures, convertible into common at $20 a share; later on (3⅛s, convertible at $25 a share. (On July 15 of this year, $440,000 of the 3s; and $1,383,000 of the 3⅛s had not been turned in for conversion.) The latest issue of 3¾% convertible bonds, due 1971, has an unusual provision. The bonds are convertible into DTE common at $30.77 per share (3¼ shares for each $100 par amount of debentures) but this conversion may not be made until Oct. 1, 1958. So here we see a market phenomenon, a convertible bond actually selling considerable *below* its conversion value. The bonds now are selling on the NYSE at 112½, yet the value of 32½ shares of DTE common today is $1,175. Accordingly, apart from the low current yield (3.33%) these convertibles present a remarkable defensive hedge in this market. Detroit Edison common could sell off and the bond would still be worth its present quotation, as of Oct. 1, 1958; and should the stock advance meanwhile, a substantial profit, 11 months away, is virtually guaranteed. Next to a heavy annual sinking fund, this conversion below-the-market gimmick looks like one of the nicest financial devices to assure price support for a bond issue. Sort of a thoroughbred bond futurity!

In all probability, conversion of this issue will commence next October, and, as this increase in equity takes place, the stage will be set for further long-term mortgage bond financing by 1959 or 1960 — quite possibly at interest rates more favorable (to the company) than those now prevailing.

The quite diversified industrial and agricultural section of Southeastern Michigan served by Detroit Edison is the fastest growing section of Michigan. It should continue to expand, and management expects an 8% increase in gross this year, and a 12% increase in net. Some of this expansion depends, of course, on the sales velocity of the new 1958 car models now on the assembly lines. If the cars sell well, then automotive demands for electric power will respond accordingly, and to the benefit of DTE shareholders. Over the years they (the stock holders) have fared very well. Cash dividends have been paid, without hiatus, for 48 consecutive years. There was, in addition, a 5-for-1 stock split in 1941 and a 10% stock dividend in 1947. The present $2 rate was established this year (up from $1.80 in 1956) and is supported by per share net for 1957 estimated at around $2.60. In recent years dividend policy has been to distribute about 70% of net in cash. At 36, DTE common yields 5½%. In only two of the last ten years has it sold on a higher yield basis.

The time honored theory that people pay their electric bills through thick and thin has given, through the years, considerable stability to operating electric utilities, and in the hectic markets of today perhaps a fine utility equity like Detroit Edison is a safer haven for income seeking capital than many more gyrating industrials. At all events Detroit Edison is a respected equity; but even respectability is no assurance that it will go up!

Joins Elmer Bright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold W. Poole has become affiliated with Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

Two With Coburn Firm

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Denis U. Gosselin and George Putnam have become associated with Coburn & Middlebrook, Incorporated, 75 Federal Street. Both were formerly with Barrington Investments.

The Reserve System's Job

By A. L. MILLS, JR.*
Member, Board of Governors, Federal Reserve System

Central Banker Mills prefers real savings to bank created credit, continued rolling adjustments with demand absorbing output to addition of more debt on the American people, and teamwork restraint on total expenditures to price inflation. Opines that the Federal Reserves' most important job is to help protect prosperity from damage by inflation, and commends interest rate's role in business planning.

The Federal Reserve System's most important job is to help to protect national prosperity from damage by inflation. In doing its part of the job, the Federal Reserve System relies on the determination and resourcefulness of the American people to cope as successfully with inflationary problems as they did with postwar readjustment problems when national production was greatly increased and living standards raised within the same short space of time that it was also possible to be of major assistance to our friends abroad. Teamwork accomplished those remarkable economic feats and teamwork at all levels of public and private life and activity is essential to overcoming the threat of inflation.

A. L. Mills, Jr.

Teamwork

The general object of teamwork must be to keep the total of public and private expenditures in proper balance. This is because the concern felt about inflation has focused on the drift toward higher prices and, therefore, to the extent that total expenditure is the source of the pressures which force prices up, holding them within reasonable bounds helps to abate pressure on the price structure and to preserve the purchasing power of the dollar. In line with this reasoning public bodies have been urged to adopt fiscal policies holding their expenditures within the most conservative limits that are practical. Conservatism in the area of private expenditure is equally desirable and it is there that the work of the Federal Reserve System can be most useful through the anti-inflationary influence of its power to regulate the supply of credit.

The economic importance of the Federal Reserve System's job of regulating the volume of credit lies in the fact that the use of credit leads to expenditures that becomes a part of the total stream of expenditures. As Federal Reserve System policy of recent times has been to restrain the expansion of credit, the effect has been to limit additions to the stream of total expenditures and thereby to moderate upward price pressures that would otherwise originate from credit sources.

Interest Rate's Importance

Business activity during the period that the Federal Reserve has sought to restrain the expansion of credit has been at a high level, as has also been true of the demand for credit, which accounts for the rise in interest rates. It is true that if the Federal Reserve System had not acted to restrain the expansion of credit, and a larger supply of credit had been available, interest rates presumably would not have risen as strongly as has been the case but the stream of expenditures would have been swollen proportionately and inflationary influences aggravated that much more. Moreover, although interest is seldom a decisive business cost, it is a cost factor to be reckoned with in business planning. As that is so, higher interest rates tend to exert a restraining influence on economic activity at times when booming conditions deserve the touch of a cautionary hand. By the same token, a higher cost of interest probably has some effect on the thinking of individuals planning to purchase homes or consumer durable goods through the use of credit by encouraging their greater use of savings and lesser use of credit for carrying out their projects.

Under present conditions, the use of savings to finance business expansion is preferable to bank created credit because such a use of savings permits the advancement of capital expansion programs with a minimum of inflationary impact. It therefore follows that where higher interest rates tend to stimulate savings and to draw them into economically sound projects, a good purpose has been served.

All told higher interest rates are a natural phenomenon of the present state of business and in their effects help to serve the ends of a national economic policy seeking to preserve a sound prosperity. What may be hoped for from the public and private teamwork necessary to insure the continuance of generally prosperous conditions is that the economic factors and credit resources which during recent years have found varying active employment in one sector of the economy after another will continue to circulate and as their need at one point has lapsed will move on to find still other useful employment.

Rolling Adjustment

This is the process that is known as a rolling readjustment which as it may now be occurring might witness a shift in economic activity away from the area of capital investment back, for example, into the area of home construction. The transfer of economic factors and credit resources that would accomplish this shift might be expected to stimulate and increase demand for the output of the enlarged plant capacity that has been put in place as a service to the American consumer. A new balance between national production and consumption should come from this kind of development and without burdening the American people with an additional load of debt as would be the case if an attempt should be made to artificially stimulate consumption through a greater use of credit. The high level of employment and of individual incomes give promise that consumers have the means to absorb the output of our magnificent plant. Their willingness to do so depends on their confidence that all vestiges of inflation can be eliminated and the purchasing power of the dollar maintained. Teamwork to protect prosperity is essential to justify that confidence.

*An address by Mr. Mills to the directors of the Federal Reserve Bank of Kansas City and its Oklahoma City branch, Oklahoma City, Oct. 7, 1957.

Stein Bros. Boyce Adds

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Harold S. Pickens is with Stein Bros. & Boyce, Starks Building.

The Great Potential for Mankind: Opportunity or Disaster?

By BRIG. GENERAL DAVID SARNOFF*
Chairman of the Board, Radio Corporation of America

Simultaneous unfolding of two such prodigious forces as atomics and electronics portend, according to RCA Chairman, amazing technological marvels of new forms of energy, new controls, and new materials to overshadow even the dramatic advances of the past fifty years. Brig. Gen. Sarnoff warns, however, that science's triumphs can be wiped out by destruction unless we apply "our new knowledge and techniques to peaceful pursuits." Thus, the answer as to whether science can make us a better world in which to live is said to lie "not with science and technology as such, but rather with each one of us as responsible individuals."

In evaluating the economic potentials of the Free World—in the solemn dedication that it shall remain free — we might well be guided by the advice of the wise and eminent elder-statesman, Bernard M. Baruch. In his recently published autobiography, Mr. Baruch lists three indispensable conditions for success in any venture.

David Sarnoff

"First," he says, "one must get the facts of a situation or problem.

"Second, one must form a judgment as to what those facts portend.

"Third, one must act in time—before it is too late."

The overriding fact of the next several decades, it seems to me, will be technological progress on a scale unparalleled in all our previous history. Just recently, we saw a fateful forerunner of this technological future in the launching, by Soviet Russia, of the first man-made satellite — an epochal event that pointed up both the promise and the peril of the years ahead.

Because of the prospects for technological progress, it is my best judgment that the possibilities for achieving the economic goals we seek are truly enormous. These goals have been stated many times and in many ways. But they can be summed up quite simply: **We want to increase the material well-being of all mankind in an atmosphere of expanding freedom.** In attaining this objective, technology can be a decisive factor. For economic growth comes through change, and change depends on scientific discovery and its practical application.

Just as many of today's basic inventions were discernible in the great awakening of science in the eighteenth and nineteenth centuries, so today, in our research laboratories, we can see the shape of things to come — technological marvels that promise new forms of energy, new controls and new materials for the future. Never before in history have two such prodigious forces as atomics and electronics unfolded simultaneously. It is a portent of amazing changes ahead that will overshadow even the dramatic advances of the last fifty years. The new types of energy released by the atom and controlled by the electron have already altered the character of everyday life, and they give promise of revolutionizing our lives even more drastically in the decades to come.

Technology, the common hoard of man's tools and techniques, has appropriately been called our "primary resource." Without it, all other resources would be economically stagnant. With it, all other resources can achieve startling new dimensions of usefulness.

Let us consider, for a moment, the prospective impact of technological innovation, first on our material resources, and then on our human resources.

Technology and Our Material Resources

We have heard disquieting admonitions that mankind is using up its precious stock of raw materials at an alarming rate. Yet even as these resources are being consumed, new and better ones are becoming available through increased knowledge and improved technology.

The scientific creativity that produced the awesome atomic and hydrogen bombs can also give the world all that it needs in the way of energy. It will, in time, be possible for us to extract atomic fuel from relatively inexpensive materials, making nuclear power both plentiful and economical. The significance of this becomes obvious when we realize that a single pound of uranium is capable of releasing more energy than 1,500 tons of coal. In the not-too-distant future, the atom will supply the power for most of our ocean-going ships, our airplanes and even trains and factories. It will light, heat and cool houses, and run our television sets and home appliances.

Through advances in technology, the energy of the sun's rays also will eventually be harnessed to serve man's economic needs. The solar energy reaching the earth in a single day is equal to that released by two million war-time atomic bombs, and now we are learning how to channel it to our uses. This form of energy should prove especially important to the underdeveloped tropical regions where solar power is superabundant, but where countries cannot afford adequate fuel and power of the existing types.

At the same time, our improving technology will give the world a vast array of new materials to meet almost any specifications that man can envisage. New plastics, ceramics, lubricants and categories of substances yet unnamed will become available for personal and industrial uses.

Technology and Our Human Resources

A beneficent impact of technology can also be expected on our human resources. For one thing, man's life span will be further extended and his productive years increased by vital progress in preventive medicine, diagnosis and treatment of human ills. Two thousand years ago, the average baby born in the city of Rome had a life expectancy of scarcely twenty years. Today, a baby born in the city of San Francisco can look forward to a life expectancy of seventy years. In a few more decades, the normal life span of an individual will approach the century mark, taking some of the force out of Dr. Albert Einstein's complaint that "the trouble with civilization is that we don't live long enough to make use of our experiences."

New methods and new techniques will greatly expand man's food resources, thus helping to eliminate the ghastly specter of famine in many parts of the world. New scientific advances will open the way to an era of relative economic abundance, freeing more and more people from the numbing pressures of poverty and thereby, no less important, cancelling out a main cause of social discontent and disorder.

One of the most far-reaching of our new technological developments will be automation—the use of self-operating machines with electronic devices that check the product automatically and adjust the machine as required. We have so far seen only the beginnings in this field. Automation promises to free man at work from drab routine and to give him ever broader scope for the exercise of his highest skills. It promises more jobs calling for those human attributes, such as imagination and judgment, that technology can never duplicate. The result is bound to be a massive upgrading of man's skills and his joy in labor.

Opportunity or Disaster?

These, then, are a few indications of the great potential for mankind. They offer the exhilarating prospect of wider industrialization, higher standards of living, and a more satisfying life for all mankind. As Sir Winston Churchill has so aptly phrased it: "Modern science is standing on tiptoe, ready to open the doors to a golden age."

Yet we must be ever mindful that the triumphs of science and technology I have touched upon, can be wiped out by forces of destruction. Our times have been called times of continuing crisis. The word "crisis," in Chinese, is a combination of two symbols. One is the symbol of "opportunity." The other is the symbol of "disaster." It is for mankind to decide which of these will be our destiny.

The possibilities of science offer the human race the chance to achieve a finer destiny. What we need most is a determination, rooted in spiritual faith, to apply our new knowledge and techniques to peaceful pursuits. The answer to the question: "Will science make this a better world in which to live?" lies not with science and technology as such, but rather with each one of us as responsible individuals.

One of our prime responsibilities is to keep informed. For if we are to make wise choices, we must —as Mr. Baruch has suggested— get the facts, form judgments about them, and then act before it is too late.

*An address by Brig. Gen. Sarnoff at the International Industrial Development Conference, sponsored by Time-Life International and Stanford Research Institute, San Francisco, Oct. 14, 1957.

Now First Fidelity

ATLANTA, Ga.—Effective Oct. 16 the firm name of Wansker & Company has been changed to First Fidelity Securities Corporation. Offices are in the Fulton Federal Building.

Reynolds & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Andrew J. Peters has been added to the staff of Reynolds & Co., 19 Congress Street.

With Smith, Barney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert R. Detwiler has been added to the staff of Smith, Barney & Co., 140 Federal Street. He was formerly with Investors Planning Corporation of New England, Inc.

Joins Amos Treat

(Special to THE FINANCIAL CHRONICLE)

CAMBRIDGE, Mass.—Florence A. Hinkle is now with Amos Treat & Co., 1737 Cambridge Street. Miss Hinkle was formerly with Clayton Securities Corporaton.

R. S. Hays Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — Robert W. Coffey has been added to the staff of R. S. Hays & Company, Inc., 111 Corcoran Street.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 31) — Discusses thermonuclear "fusion" research and appraises the outlook for progress in this field, mentioning industrial companies carrying on fusion research and describing the growth possibilities for radiation instruments in predicted expansion in use of radioactive materials over next five years; comments on Newport News Shipbuilding and Dry Dock Co., Preston East Dome Mines, Ltd. and Metals and Controls Co.—Atomic Development Mutual Fund, Inc., Dept. C, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bonds—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current Foreign Letter.

Convertible Bonds—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Japanese Stock Market—Monthy survey of economic picture —Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Market Review—With a discussion of Stocks for Income with Defensive Strength—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at Sept. 30, 1957—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

New York City Bank Stocks—Quarterly analysis of 13 issues —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Petroleum Situation—Bulletin—Chase Manhattan Bank, Petroleum Department, 18 Pine Street, New York 15, N. Y.

Revenue Bond Projects—Review—Covering 27 major projects —Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Securities Outlook—Study—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Short Term vs. Long Term Maturities — Discussion — Park Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Sputnik and the Aircraft Manufacturers — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Chrysler Corp.**

Treasure Chest in the Growing West—Book explaining opportunities for industry in the area served — Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

World Time Chart showing time differences in effect from Oct. 27, 1957 to April 27, 1958 in over 100 countries throughout the world compared with Eastern Standard Time in New York City—International Banking Department of Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

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American Can Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Atlantic Refining Company—Review—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

C. I. T. Financial Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **General Foods Corp.**

Carriers & General Corporation—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Carter Products, Inc. — Memorandum — Fusz-Schmelzle & Co., Boatmen's Bank Building, St. Louis 2, Mo. Also available is a memorandum on **A. P. Green Fire Brick Co.**

Chicago Pneumatic Tool—Data—du Pont Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same bulletin are data on **Cities Service, General Foods** and **Minerals & Chemicals.**

Cog Mineral Corporation—Report—Leason & Co. Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Consolidated Foods Corp.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Continental Assurance Co. — Memorandum — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Deere & Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Denver & Rio Grande Western Railroad, Houdaille Industries, Kaiser Steel Co.**

Eastern Stainless Steel—Appraisal—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Falconbridge Nickel Mines, Ltd.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **Republic Natural Gas Co.**

General Refractories Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **R. J. Reynolds Tobacco Co.**

Gimbel Brothers—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Fritz W. Glitsch & Sons—Circular—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Tex.

Grolier Society Inc. — Memorandum — P. F. Fox & Co., 120 Broadway, New York 5, N. Y.

Harsco Corporation — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an appraisal of the current market situation.

Kansas Nebraska Natural Gas Co.—Memorandum—First Trust Co. of Lincoln, 10th & O Streets, Lincoln, Neb.

P. Lorillard Company — Analysis — Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Louisville Title Mortgage Company — Study — The Bankers Bond Co., Incorporated, Kentucky Home Life Building, Louisville 2, Ky.

Miller Manufacturing Company—Bulletin—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil, and Big Piney Oil & Gas.**

Old Republic Life Insurance Co.—Memorandum—Fahnestock & Co., 135 South La Salle Street, Chicago 3, Ill.

Pfaudler Permutit Inc.—Report—George D. B. Bonbright & Co., Powers Building, Rochester 14, N. Y.

Polymer Corporation—Special report—A. G. Edwards & Sons, 409 North Eighth Street, St. Louis 1, Mo.

Racine Hydraulics & Machinery, Inc.—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

U. S. Life Insurance Co. in the City of New York—Memorandum—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Westcoast Transmission Company Limited — Circular — R. A. Daly & Company, Ltd., 44 King Street, West, Toronto, Ont., Canada.

$85,000,000 California Bonds on Market

Public offering of $85,000,000 State of California bonds was made Oct. 23 by a consolidated underwriting syndicate which was formed by the merger of an account headed by Bank of America N.T. & S.A. and an account managed by Bankers Trust Company.

Of the total offering, $50,000,000 of 5%, 4¼% and 3½% veterans' bonds, due April 1, 1959 to 1978, inclusive, are priced to yield from 2.70% to 3.60%, while $35,000,000 of 5%, 4% and 3½% school bonds, maturing March 1, 1960 through 1984, are scaled to yield from 2.85% to 3.65%, according to maturity.

Net proceeds from the sale of the bonds will be used to finance farm and home loans for California veterans and to aid in the California school building program.

In the opinion of counsel, interest payable by the State of California upon its bonds is exempt from all present Federal and California personal income taxes under existing statutes, regulations and court decisions. It is believed that these bonds will meet the requirements as legal investments for savings banks and trust funds in New York, California and certain other states and for savings banks in Massachusetts and Connecticut and will be eligible as security for deposits of public moneys in California.

Other members of the offering syndicate include:

The First National City Bank of New York; The Chase Manhattan Bank; The First National Bank of Chicago; Halsey, Stuart & Co. Inc.; Guaranty Trust Co. of New York; J. P. Morgan & Co. Inc.; Blyth & Co., Inc.; The First Boston Corporation;

Harriman Ripley & Co. Incorporated; Harris Trust and Savings Bank; Smith, Barney & Co.; Lehman Brothers; Kuhn, Loeb & Co.;

American Trust Company, San Francisco; Security-First National Bank of Los Angeles; California Bank, Los Angeles; Drexel & Co.; Glore, Forgan & Co.; Chemical Corn Exchange Bank; C. J. Devine & Co.; Continental Illinois National Bank and Trust Company of Chicago; The Northern Trust Company;

R. H. Moulton & Company; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co.; Merrill Lynch, Pierce, Fenner & Beane; Blair & Co. Incorporated; Weeden & Co. Incorporated; The First National Bank of Boston;

The First National Bank of Portland, Ore.; The Philadelphia National Bank; Seattle-First National Bank; Equitable Securities Corporation; Stone & Webster Securities Corporation; Dean Witter & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Paine, Webber, Jackson & Curtis; Mercantile Trust Company;

Shields & Company; Reynolds & Co.; Crocker-Anglo National Bank; J. Barth & Co.; Ladenburg, Thalmann & Co.; American Securities Corporation; Alex. Brown & Sons; Clark, Dodge & Co.; Dick & Merle-Smith; Dominick & Dominick;

Fidelity Union Trust Company, Newark; First of Michigan Corporation; First Western Bank and Trust Company; Halgarten & Co.; Hayden, Stone & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Laidlaw & Co.;

Lee Higginson Corporation; Carl M. Loeb, Rhoades & Co.; F. S. Mosley & Co.; National State Bank, Newark; John Nuveen & Co. (Incorporated); L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; William R. Staats & Co.; Stroud & Company Incorporated;

Andrews & Wells, Inc.; Bache & Co.; Baxter & Company; A. G. Becker & Co. Incorporated; J. C. Bradford & Co.; Branch Banking & Trust Company; Braun, Bosworth & Co. Incorporated; Coffin & Burr Incorporated; Francis I. duPont & Co.;

Estabrook & Co.; E. F. Hutton & Company; W. E. Hutton & Co.; Kean, Taylor & Co.; The Marine Trust Company of Western New York; Laurence M. Marks & Co.; W. H. Morton & Co. Incorporated; Roosevelt & Cross Incorporated; Shearson, Hammill & Co.; Tucker, Anthony & R. L. Day; B. J. Van Ingen & Co. Inc.; Bacon, Stevenson & Co.; Bacon, Whipple & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio — Thomas L. Savalan is with Merrill Lynch, Pierce, Fenner & Beane, First National Tower.

Daniel Weston Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Calvin Rosen is now with Daniel D. Weston & Co., Inc., 618 South Spring Street. He was formerly with Adams-Fastnow Company.

Joins Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles R. Jobbins has become connected with Dean Witter & Co., 632 South Spring Street.

With Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Ralph S. Rosenberg has become affiliated with Clement A. Evans & Co., Inc., 11 Pryor Street, Southwest, members of the Midwest Stock Exchange.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alfred R. Seebass, Jr. has become associated with Dempsey-Tegeler & Co., Midland Savings Bank Building. He was formerly with Cruttenden, Podesta & Co.

Solving Two Problems in The Gas Industry Today

By PAUL KAYSER*
President, El Paso Natural Gas Company
El Paso, Texas

Mr. Kayser presents a plan which he believes can reconcile the divergent problems in the gas industry. Suggests the Federal Power Commission hearing become, in effect, a gas market place where all parties are represented, and that the utility concept of a rate of return be rejected. States there must be give and take on the part of the producers, the pipeliners and the distributors so that producers receive the incentive they need and distributors are not priced out of the market.

The business of the natural gas industry is the production, transportation, distribution and promotion of the efficient use of one of our greatest energy resources, natural gas.


Paul Kayser

The first man-made pipeline for the transportation of energy is of comparatively recent origin. It is said that the Chinese piped gas from nearby coal fields to Pekin for industrial use and to light that city. Bamboo poles were said to have been used for pipes. This record has not been verified and cannot be taken as authentic history. The practical use of pipelines to transport natural gas is the development of the last 50 or 60 years and its growth over the past ten years is one of the industrial wonders of the world.

But actually the pipeline is the oldest form of transportation of energy in the world. In the human body alone there are over 100,000 miles of arteries carrying the energy contained in the blood to the minute blood vessels of the body where energy is distributed to all the cells of the body by a distribution system made up of minute capillaries — pipelines for the transmission of the vital energy that is the source of life. These cells constitute the myriad of burner tips where the energy upon which we live is consumed. The heart is the great pumping station that pumps the energy to these burner tips.

Upon these same principles the natural gas industry has developed the greatest and most efficient system for the transportation of energy the world has ever seen outside the human body. The transportation begins at the bottom of the well, 2,000—5,000—15,000 feet below the surface of the earth. The molecule of gas begins its journey, from the strata where it has been stored by nature for millions of years, up the well casing or tubing to the top of the well, into the gathering line, thence into the transmission line, and then 100—1,000—2,000 miles to the city gate, into the network of pipelines of the distribution system, thence to the burner tip for ultimate consumption. The movement is continuous from the storehouse of nature to the point of consumption. This continuity of movement forecloses argument as to the necessity for unity between all parts of the industry and the necessity for cooperative effort on the part of producer, pipeline and distributor.

The producer's well stands capped until the pipeline makes the connection. The distributor lives the life of scarcity on an inadequate supply of BTU's from manufactured gas until the pipeline spans the miles from the well to the city gate. The appliance manufacturer has a lean market for his products and cannot afford to spend the money necessary for the technical improvements required to meet the competition of other fuels, until the producer finds and produces the gas and the pipeliners deliver it in abundance into the distributor's system for the use of the consumer.

Independent Industry

Each part of the industry is wholly dependent upon the other like the spans of a bridge. Consequently, it is necessary for the producer to understand and cooperate in the solution of the problems of the pipeliner. It is necessary for both producer and pipeliner to understand and cooperate in the solution of the problems of the distributor. Obviously, every business is wholly dependent upon an ultimate consumer for its product. But likewise it is essential that the distributor, representing the consumer, understand and cooperate in the solution of the problems of the producer. Obviously, there is no business unless there is a producer of the product to be transported and sold.

The analogy between the human body and the economic community was forcefully used more than 2,000 years ago.

In early Rome (about 500 B. C.) the plebians, because of harsh treatment, revolted and left the city. Agrippa (a plebian) was asked to go as an envoy to these people to persuade them to return and again take their part in the economic life of the city. I quote from his speech as reported in history (Book 6, Chapter 86, Dionysius):

"A commonwealth resembles in some measure a human body. For each of them is composite and consists of many parts; and no one of their parts either has the same function or performs the same services as the others. If, now, these parts of the human body should be endowed, each for itself, with perception and a voice of its own, and a sedition should arise among them, all of them uniting against the belly alone, and the feet should say that the whole body rests on them; the hands that they ply the crafts, secure provisions, fight with enemies and contribute many other advantages toward the common good; the shoulders, that they bear all the burdens; the mouth that it speaks; the head that it sees and hears and, comprehending other senses, possesses all those by which the thing is preserved; and when all these should say to the belly, 'And you, good creature, which of these things do you do? What return do you make, and what use are you to us? Indeed you are so far from doing anything for us or assisting us in accomplishing anything with us for the common good that you are actually a hindrance and a trouble to us and—a thing intolerable—compel us to serve you and bring things to you from everywhere for the gratification of your desires. 'Come now, why do we not surrender our labor and free ourselves from the many troubles we undergo for the sake of this creature?' If, I say, they should decide upon this course and none of the parts should any longer perform its office, could the body possibly exist for any considerable time, and not rather be destroyed in a few days by the worst of all deaths—starvation? No one can deny it."

These words, though spoken more than 2,000 years ago, have a clear meaning for our industry today. Fighting between the component parts of the industry can only bring on scarcity of service, and if continued to the bitter end, starvation for this industry.

But to bring this discussion down from generalities, history and classical reference, there are two problems in the industry today that must be solved by cooperative effort.

Two Problems

First, the pipeliners and the distributors must understand that gas must be found before it can be produced. A long, continuous, hard, tedious, expensive and risky exploration campaign is necessary if an adequate quantity of gas is to be provided for the ever-expanding, insistent demands of the consumer. If this exploration is to be maintained, an adequate incentive of price at the well must be provided. In no other way in a free economy can the supplies be assured.

Second, but just as important, the pipeliners and the producers must understand that the distributor can be priced out of the market.

Reconciliation of these two points of view is absolutely essential to the further sound development and continued useful operation of the industry.

The means for the reconciliation of these ideas at present are: control and regulation by the Federal Power Commission. This regulation, however, can never be successful in solving the necessity of incentive so long as such regulation is based upon the utility concept of a rate of return. This concept can never, in my opinion, provide the incentive required to justify the risk inherent in exploration. I believe the Federal Power Commission is pretty well convinced of this fact and is trying to find a formula that will solve the problem.

Favors Harris-O'Hara Bill

The Harris-O'Hara Bill endeavors to meet the situation by providing a formula of market price in the field as the guide to the Commission in the approval or rejection of producers' prices.

The second problem, viz., the pricing of the distributor out of the market, is met in the present state of regulation under the Natural Gas Act by the regulation of the producers' rates in the same manner as the pipeline rates are regulated after full hearings, in which the distributor and state authorities may participate representing the consumer. The Harris-O'Hara Bill meets the problem by providing that producer contracts, to be effective, must be definite, and must be approved by the Federal Power Commission as the market price, after hearing in which the representatives of the consumer are entitled to be heard. Neither of these methods is perfect, but they do give a basis upon which both problems can be solved if all parties approach the problems in a spirit of understanding and cooperation. There must be give and take on the part of the producers, the pipeliners and the distributors.

Likewise, if any system of regulation is to be effective, the regulatory authorities must have a clear understanding of both of the problems: an adequate incentive to the producers, and a price at the burner tip so adjusted that it can meet the price of other fuels and thus preserve the efficiency of the service.

A Market Place

Actually, to be effective in regulating interstate commerce instead of retarding it, the role of the Commission becomes that of a gas exchange or market place where the price of gas is arrived at across the hearing tables of the Federal Power Commission—by an offer of a contract by a willing seller, the producer; and the acceptance of such contract not only by the pipeline but by the distributor as well, representing the consumer, with the concurrence of the local utility commission, all with the approval of the Federal Power Commission.

This may sound as utopian as the lion lying down with the lamb, but in the light of the present state of the law and the proposed amendments now on the immediate horizon, it probably is the most practical way to work out a most difficult problem.

*An address by Mr. Kayser before the American Gas Associations, St. Louis, Mo., Oct. 9, 1957.

Two Join Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ruth C. Blank and Leland G. Smith have become connected with Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Miss Blank was previously with Williams R. Staats & Co. Mr Smith was with Sutro & Co.

J. A. Lebenthal Opens

James A. Lebenthal is conducting a securities business from offices at 815 Park Avenue, New York City.

C. Nesom Burt Reestablishes Firm

DALLAS, Tex.—C. Nesom Burt has re-established C. N. Burt & Company with offices in the Kirby Building to act as underwriters, distributors and dealers specializing in Texas Municipal Bonds.

Mr. Burt was recently President of Burt, Hamilton & Co. The latter firm will continue to operate under that name and will handle municipal and corporate securities. Officers will be John M. Hamilton, President; Williams S. Hamilton and A. K. Choate, Vice-Presidents; and Nola Keen Prentice, Secretary and Treasurer.

Boettcher Co. to Admit Five New Partners

Denver, Colo. — Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange on Oct. 24 will admit Elmer G. Longwell, Joseph L. Raichle, John M. Powell, Leonard Friedman, and Donald L. Patterson to partnership. Mr. Friedman makes his headquarters in the firm's Chicago office, 135 South La Salle Street.

Joins Morgan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Kenneth D. Mann has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Mann was formerly with Paine, Webber, Jackson & Curtis.

Independent and Bell Systems Face Common Goals and Problems

By FREDERICK R. KAPPEL*
President, American Telephone and Telegraph Company

In honoring the 60th anniversary of the independent telephone association, Mr. Kappel stresses the urgent need for greater cooperation between the independents and the Bell System in order to provide the ever growing broader range of services and choice of instruments that the public wants. Problems confronting the industry are described as: competitive growth of non-communication companies; need to better earnings of the common carriers; getting the telephone side of the story to the public, employees and labor unions; and developing future managerial personnel.

The future isn't waiting for us. It's rushing right at us. This country is growing faster than anyone could have believed a few years ago. Along with the growth, people are moving around and changing their ways of living and also their ways of working. And all this moving and changing tends to make communications continuously more important to more people.

Frederick R. Kappel

The Other Half of the Story

That's half the story. The other half is that we who provide communication service have more and more to offer. We're getting an assortment of tools to work with that are almost beyond belief. New instruments, new switching, new transmission systems — these are producing all kinds of new possibilities in service.

Today and tomorrow our industry can provide ever-increasing convenience in communications. More and more we can tailor-make our voice services to meet individual needs and tastes. In addition, teletypewriter service can do a growing variety of jobs. We're putting in circuits and developing equipment to handle great volumes of high-speed data communications. We also have the prospect of providing picture channels for many purposes, in addition to networks for television broadcasting.

In short, I'd say the future offers opportunity unlimited. But in the same breath I'd also say we have new responsibilities to match.

What does it mean, for instance, that the telephone companies of the nation can offer their customers a broader range of services and a wide choice of instruments?

For the folks we are serving, naturally it means they are more free than ever before to look the situation over and pick out what suits their particular needs and tastes.

This is fine and as it should be. But let's not forget that giving the customer this range of choice means first of all that we have more decisions to make ourselves. It means too that we assume greater risks. The first important fact about every new service and every improvement of service is that it calls for good, sound, management judgment on our part.

If we're going to answer more needs, first we shall have to answer more questions — questions like these:

How broad is the market? How fast shall we build for it? How much investment will be needed? How do we best promote and sell the service? And over and over and over again—as we grow, and as our risks increase, how do we make sure that we grow at a profit?

So my first thought is simply this:

Better Managing Job Required

We have a tremendous future in this telephone industry, but it isn't going to be realized on technology alone. Transistors and computers and wave guides and all these things the scientists discover are wonderful. We couldn't do without them. However, they are not Aladdin's lamps. We can't just rub a transistor and make a wish and expect it to come true. The fact is that to take advantage of our new communication tools—to realize all the wonderful opportunities they open up—requires us as managers to do a better job of managing than we have ever done before.

I'm sure too that the great changes which are taking place, both outside and inside the industry, will closely affect every one of us. Nobody is immune to progress. This may be disconcerting at times but we had better accept it. Nowadays jet planes don't wind their vapor trails through any particular part of the sky. The man with the oil drill may turn up almost anywhere, and the woods are full of highway surveyors. I don't mean that every hamlet is going to be a suburb, or every pasture a factory branch. But there aren't very many places that come with a no-change guarantee. In the world we live in today, most anything can happen, anytime, anywhere.

And this it seems to me is crystal clear: we in the telephone business must meet these changes together, for ours is one single industry and our service is indivisible. Far more than in other types of business, the progress we make depends on how effectively we combine our efforts.

I think this has been growing on all of us year by year. At any rate, it has been growing on me and I certainly hope it has on you. The basic reason is plain and simple: none of us can serve the community and the country well without the help of the others. None of us in the long run can prosper, unless jointly and together we accomplish a fine service job. All of us need each other's cooperation in order to succeed.

As time goes along this situation tends to become more pronounced, rather than less. Distance dialing is one of the factors, but only one. In more and more places we live and work in each other's laps. We mesh closer and closer together. When big customers want special services, we must jointly provide them. We share rate problems and directory problems as well as service operating problems.

Now I'm not going into a lot of detail on this subject. You know the details anyway. The big thing is that we're all working on the same job and to do it well we must cooperate. And I think we are. I think we're working together better than we ever have before, and I don't see any reason why that shouldn't continue.

Of course most of us are all in favor of cooperation when it means having the other fellow do things our way. We all like that. But in real life we usually have to settle for something less. It's a matter of give and take. No one can cooperate with a stiff neck. We have to bend a little. On the other hand, being anxious to cooperate doesn't mean that anybody ought to give the other fellow his shirt, either. I guess no one in this business expects anything along that line. But we can always meet with goodwill and in good spirit, and work out common problems on a sound business basis. I have full confidence that we shall continue to do exactly that.

Anyway, that's what we're going to have to do, because this country needs a big, growing, unified, common carrier telephone system—one that will always be ready for any job. It must be strong in its people, strong in technology, and strong financially. And all these assets, as I've said, we must employ throughout the industry so that we meet — together—this fascinating challenge of providing more service and improved service and entirely new services as our customers want them; doing this in a way that mixes all the skills of marketing, financing, engineering and operating—so that we go as fast as we should but not faster, and give the public the most we can while at the same time we earn enough to make still more progress possible.

With that sort of goal in mind, I'd like to say a little now about a few specific problems of our industry—problems that are important to us all.

Problem of Non-Industry Competition

One of them is this matter of competition. It seems there are quite a few non-communication companies today that would like to provide a considerable part of their communications themselves, without depending on the common carriers. In particular they want to build private microwave radio systems and are asking the FCC for permission to do so.

Of course this goes against the basic principles and experience which have shown that the public interest depends on common carrier service. Indiscriminate licensing of non-common carriers to build their own systems would not only sacrifice the most efficient use of the radio spectrum; it could very seriously interfere with the ability of the telephone companies to serve the public at reasonable prices. Thus any possible advantage to non-common carrier licensees would only be obtained at the expense of the general public. I realize that right-of-way companies and public safety organizations may have some need for private systems, but these are special cases.

Our industry position is clear and sound. Both your people and ours have stated it, but we all need to keep on talking it to be certain that others know and fully understand it. We are sure common carrier service results in lower costs to the public. We are confident it also makes possible much more efficient use of the radio spectrum. We know a strong common carrier network is a much greater asset in time of emergency or war than a fragmented hodge-podge of private systems could ever be.

I only want to add this comment:

In the long run the public will approve a decision in our favor, not on the basis of hearing-room testimony, but on the basis of how well we in the telephone companies jointly succeed in providing the services our customers want.

Here is another matter that

Continued on page 37

*An address by Mr. Kappel before the United States Independent Telephone Association, Chicago, Oct. 14, 1957.

From Korea to the Satellite

By HON. THOMAS S. GATES, JR.*
Secretary of the Navy

Former investment banker refers to U.S.S.R. satellite as a stern warning, indicating we have a "real competitor," and that we are not properly utilizing one of the free world's greatest assets—the minds of its scientists. The Navy Secretary proposes we pool our scientific resources across national borders, find means to stimulate young people to seek and obtain a science education, and encourage young men and women in universities and business with talent and desire to move into the sciences. Believes we face a long-time conflict of basic ideals and principles, and strongly urges adequate pay for officers and men in the military.

Here are some of the things I think we have learned in these years, from Korea to the satellite. We have all been thinking intensively about the objective of our military power. It is simply this:

Thomas S. Gates

To provide military force adequate to insure, working with our Allies, the peace and security of the Free World.

For this we need power—and prestige—sufficient to support our policy in Cold War.

Power sufficient to win decisively in hot but limited war, and,

Power sufficient to make it unthinkable to any aggressor that he resort to thermonuclear war.

This much we need—no more, no less.

Our national position on disarmament has been made clear. We have consistently taken the lead in seeking an agreement. We have made proposals that would bring under control the nuclear threat, control conventional armaments—and outer space objects, and create safeguards against armed attack. We are seeking today agreements on a safeguarded first stage. But until such agreements have been made, it is vital to the security of the Free World that we maintain our strong military posture. It is equally vital that we make plain our determination, standing together, that we will not be coerced; not by threats, not by subversion, not by force.

All of this we must view on the 16th of October, 1957, in an atmosphere created by the success of the Soviets in putting aloft an earth satellite.

Earth Satellite

Seen in perspective, this is only one of the many staggering achievements of applied physical science in the middle of this century that have changed our world forever. Not all of these achievements have been Russian. Nor do we have any intention of being outstripped in this field. We lead in atomic energy and nuclear propulsion, and we intend to always maintain this lead. The satellite is nonetheless a stern warning that the technology of the Free World has a real competitor. This is a competition not solely of money or programs, but of brains, imagination, and will. It involves all science, and not only the United States but all the Free World. Everywhere that we have Allies there are brains—scientific brains of the highest caliber — on our side. They have grown in the tradition of free inquiry that is our greatest strength. It is time we used all of these brains—that we pooled our scientific resources. It is time to interchange people and research across national borders.

We are in a long-time conflict of basic ideals and principles. We cannot win this battle for the minds of men by channeling our brains through a customs office.

Must Encourage the Sciences

At home we should encourage the sciences by every means, and particularly the scientific education of the generations to come, for they are the nation's basic resource. In our universities, and in business, young men and women with the talent and the desire should be encouraged to think and to work in the tough but exciting disciplines of science. We should encourage them by changes in the educational policies of private institutions, by farsighted policy in industry, and by government support as required in the interest of national defense.

More Military Pay

In the military we must find the means to pay our devoted officers and men in accordance with their worth. The Navy has become unbelievably complex; atomic ships, jet warplanes, ballistic missiles, advanced electronics. You name it—we have it. We train thousands—hundreds of thousands — in all these skills and technologies, only to see so many depart for civil life, where rewards in money are so much greater. And in both a monetary and a military sense, we simply cannot afford to let them go for lack of an enlightened pay policy. We in Defense are working hard for solutions to this problem, and we will all need your support.

But let us suppose that we keep our lead in military technology, as I firmly believe we will. What else should we do? There is at least on thing I am quite clear we should not do. That is to substitute a single service or a single Chief of Staff for our present defense organization. Certainly, there is room for improvement, as there always has been and probably always will. We have watched and learned that in corporate life decentralization means efficiency and progress. It is surprising to hear people advocate rigid and monolithic control of defense.

We do have top level authoritative direction. At the same time we place definite fixed authority and responsibility broadly at all operating service levels. I believe this is as it should be. A complete rebuilding of the defense establishment into a highly concentrated organizational pattern can only result in great danger of fundamentally wrong decisions and a great many dollars wasted. We do not need czars. The Secretary of Defense and the Service Secretaries have all the power they need. Our present Joint Chiefs of Staff system has been tested in wars which we have won. The substitutes have also been tested in war—by our defeated enemies.

Military Worth

Our balanced Forces — Army, Navy and Air — work in close operational harmony through joint commanders. Each has a part

*From a talk by Mr. Gates before the New York Group, Investment Bankers of America, New York City, Oct. 16, 1957.

play that is well appreciated by the others.

What we can do — what we should and must do—is to be sure of the military worth of our programs. Dollars are not everything. But in peacetime and wartime, they are the best measure of manpower, material and effort that we have ever been able to devise. So what we want is military worth — the most military value for the money. And we in the Navy firmly believe that the military worth of balanced seapower is very high indeed, and that it has been enhanced by the coming of the rocket and atomic age.

Navy's Role

What then are the roles of the Navy in the modern world? We think they are these:

First, to provide military, economic, and political links across the seas for the nations of the Free World, and, to deny corresponding ties to the countries of the Communist bloc, and,

Second, to use the ocean areas as a springboard for offensive operations, and as a vast dispersal area for the defense in depth of ourselves and our Allies.

We are an oceanic confederation, whose economic cement is sea trade, protected by mobile naval forces.

As Navy programs bear fruit, we add these important special capabilities to the national deterrent against general war:

Carrier-based jet aircraft of the highest performance.

Jet seaplanes based on mobile supporting ships.

Submarine-launched ballistic missiles.

These last we call POLARIS. Fired from nuclear-powered submarines, they will be the most difficult weapons system known to counter. They are truly intercontinental missiles in terms of the targets they can reach. We believe that in the POLARIS system we will have an answer to a national need.

Because all of these attack systems are based on the sea, they can concentrate on the greatest threat, or disperse to the farthest oceans. They are relatively free from the threat of ballistic missile attack, for to attack a task force at sea with a ballistic missile is as difficult as trying to thread the eye of a moving needle. They are secure from the political tangles of foreign bases. They do not threaten, they are not provocative, but they are *there*. Most important of all, they can force the enemy to divert some of his fire away from our homeland and our Allies.

Let no one believe that our deterrent forces are insufficient for their purpose, or that we have in some mysterious way been disarmed. We have not.

We are really engaged in a struggle for the hearts and minds of people everywhere. Against the black religion of communism we offer the ideals of liberty that have animated free men since history began. But to freedom, honor, ideals we must always add strength if we are to survive. I am sure that our Navy — progressive in science, sound in heart, endlessly patrolling the seven-tenths of the world that is ocean, contributes immensely to the strength of the Free World.

Irving Kastner Opens

Irving Kastner has opened offices at 37 Wall Street, New York City to engage in a securities business.

R. C. Adler Opens

(Special to THE FINANCIAL CHRONICLE)

BLYTHE, Calif.—Raymond C. Adler has opened offices at 155 North Eighth Street to engage in a securities business.

Continued from page 2

The Security I Like Best

82 for a 44% batting average and a 500% increase in successes in two years. This expanded wildcat program has undoubtedly resulted in a large increase in potential development wells. About 40% of the drilling attempts in 1956 were wildcat wells, reflecting an apparent desire to emphasize reserves at the expense of current production. The investment in non-producing acreage has quadrupled during the past three years.

1957 production will show only a modest increase over 1956 due to severe restrictions on allowables in a number of states where Kewanee's properties are located. However, the January 25¢ a barrel crude price increase will have a sharp impact on cash earnings, and it is reasonable to expect the 1957 figure to be close to $15 per share, about 14% higher than last year.

All in all, it seems reasonable to value Kewanee at a price of at least $100 per share on the basis of current production and throw-off only, with the expectation that this figure will be compounded at a very satisfactory rate in the future and that, as investors become more aware of this relatively unknown producer, its price will tend to coincide with value. The stock is traded in the Over-the-Counter Market.

Paramount Secs. Co.

JERSEY CITY, N. J.—Robert G. Passigli is engaging in a securities business from offices at 1 Exchange Place, under the firm name of Paramount Securities Co.

Two With Jonathan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Alex Rote and Robert A. Schwartz have joined the staff of Jonathan & Co., 6399 Wilshire Boulevard.

Stifel, Nicolaus Adds J. V. Readey to Staff

ST. LOUIS, Mo.—Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange, announce that J. Vernon Readey has joined the firm as Research Analyst. Mr. Readey was formerly associated with the firm of Reinholdt & Gardner, St. Louis.

Herbert I. Losee

Herbert I. Losee passed away Oct. 20 at the age of 72. Mr. Losee prior to his retirement was a partner in Salomon Brothers & Hutzler.

1958 Steel Industry Outlook

By EDWARD J. VERITY*
Staff Economist, Lukens Steel Company
Coatesville, Pennsylvania

Lukens Steel's Staff Economist states steel inventories are the key to whether 1958 will be a record year for the steel industry. After sketching the general economic climate surrounding steel, Mr. Verity expects, on balance, the basic demand for steel in 1958 equivalent to 116 to 117 million ingot tons or near 1955 record of 117 million tons. Should there be minor inventory liquidations in beginning of 1958, which the author believes may be the case, inventory rebuilding is anticipated to commence after the first half of the year which may set production at 2 to 3 million tons over 1957, or a new production peak for the industry.

You can't make a forecast for steel without first determining what the total economy is going to do. But I was a little shocked to find that GNP data were only available through the second quarter. That detailed data on steel were only available through August. It was then I realized how much earlier than usual this forecast is being made.

Edward J. Verity

Nonetheless, I am committed to give a 1958 outlook. Bear with me as I first set the ground work by closing out 1957. Since the numbers available are fairly old, I will give my basic impression on the economy and then steel, and try to wind up with at least a few figures to hang my hat on for 1958.

Views Over-All Economy

Looking at the economy, I found GNP up to $437 billion at the June mark. The indications since then are that GNP has continued to climb. Significantly, the broad measures of the economy gave no indication of any decline in the third quarter. Total industrial production, for example, does not seem inclined to move downward. Rather, it is moving sideways—a relatively unusual condition. GNP itself I would estimate to be upward for the balance of the year. I would go further and say I believe GNP will continue to climb during 1958, perhaps not as rapidly as it did this year but certainly the basic forces in the economy are upward rather than downward. Let me examine GNP by its major segments and show why I believe the move will be upward.

Breaking down our economy into its three major segments: (1) Government spending (2) consumer spending and (3) business spending, we find two segments definitely upward, and the third possibly upward.

First let's look at the Government spending segment. We can break this down into two parts: state and local, and Federal. There is little doubt that school and road-starved state and local governments are going to increase spending in 1958. The states and local governments are on a building program. The increased number of people to be governed requires more people to fill government posts which in turn is creating shortages of working space. And as these governments grow, they need more money and spend more.

In the area of Federal spending we are faced with economy measures. Talk of cutting budgets; Reducing defense expenditures; Yet if you examine the numbers of dollars involved and forget for the moment political publicity—you find we are talking of minor cuts in an all-time high budget, and you will still wind up with the fact that the budget will be up over the preceding year. If you add to this the carry-over appropriations and the usual additional appropriations granted at the fiscal year end by Congress, you cannot help but forecast a rise in Federal spending in 1958. I also believe that the psychological shock which our Russian friends handed us by raising and orbitting Sputnik seems likely to cause greater spending by the Government to make sure we do not trail Russia in other areas of missile and rocket work. I do not believe the American people will let economy movers force us into a back seat—and I think the politicians know this. Government spending in total, therefore, would have to be put in the plus column for 1958.

Unsatisfied Consumer Wants

Consumers, being the strange creatures that they are, have continued to increase their expenditures during 1957. Their expenditures this year will be about $280 billion — an all-time peak. Next year I would look for a new peak. Expenditures for both goods and services will be up. In talking to my friends who serve the consumer more directly than Lukens does, I find almost all are optimistic about 1958. Order books look good. Packaging people are beginning to spurt upward. But more important, the consumer is out buying. The amounts he buys will be the key to whether 1958 is just up over 1957 by moderate levels, or whether we again begin to soar upward.

Being basically conservative, I have in my forecast a moderate rise, but I would not be surprised to see the consumer spending segment of the economy set the stage for another real boom in our economy. There is undoubtedly a powder keg in this segment of the economy ready to blow at any time. The consumer has money and unsatisfied wants. The only question is when he will begin to trade one to satisfy the other. For example, I can envision a strong automobile year in 1958. I have used a level of 6.0-6.2 million cars in my forecast but I believe this to be conservative. Last year the automobile people were too optimistic in the estimates of this year's sales. Now, after being burnt once, they have turned conservative. Estimates out of Detroit are only up slightly or equal to 1957. If the 1958 model changes meet with the approval of the public, it is quite possible that a 6.5 to 7.0 million car year will develop. Again, it depends on the consumers' psychology of the moment, but let's remember that in the big year 1955, many buyers bought on 30 month or 36 month paper. These people are waiting to see what the 1958 models look like. If they catch, you may very well have these 1955 buyers back in the market.

But enough about consumer spending. It is definitely upward in 1958 and could be up enough to send the economy booming.

The only area in the economy where there is a doubt about next year's trend is business spending. In this segment, the course is not as clear as for the other two major segments. It is also subject to what happens in the consumer and government segments. With both of these segments moving upward moderately, you have a possibility of some easing in business spending. But if they move up strongly, you are ripe for a continuation of high capital spending programs at the boom levels of 1956 and 1957.

Breaking down the Gross Private Domestic Spending segment into its three parts, we have a better chance of forecasting the moves. New construction in total will be up. The demands for schools, highways, utilities, and commercial building is strong. Housing starts are also expected to be above this year's levels. Expenditures for industrial building are currently expected to be down in 1958, but as I mentioned before they could easily be revised if the economy again spurs upward.

Weakness in Producer Goods

The Producers' durable equipment segment of the economy is the one where most expect weakness to develop. Surveys indicates that businessmen plan to ease off on expansion programs next year. The gap between production and capacity will be adequate to meet production next year. On the other hand, everyone expects increased spending for modernization of existing plants cost-saving equipment, and automation. However, in the area of slowed capacity expansion program—the only segment that is inclined to be weak — you are confronted with this fact. That most programs have not been cancelled—rather they have been delayed or postponed. I believe one of the contributing factors to these postponements is the present interest rates. If you have a lower interest rate in 1958—and I believe you will — coupled to rising demand from consumers and government, you will find that the weakness which seems to have started in capital spending could soon fade away.

The third segment, inventories, are in the same boat as capital spending. While inventory reductions in general seem probable at the moment—a spurt in the economy could quickly end reductions. In many industries, inventory correction has already taken place. In other, it is yet to come. However, on balance I would consider any net inventory reductions in 1958 to be mild.

In total, then, I would say total GNP will be up next year perhaps $10 billion over this year—with the understanding that this is a really conservatively estimate and that a greater rise should not surprise anyone.

With this general picture in mind let me now give what I was originally asked to—namely, the outlook for the steel industry in 1958.

Steel Outlook for 1958

The steel industry, like the economy, has not completed the 1957 race. It is quite possible that a surge in demand from the automobile industry for steel could set 1957 as the best year the industry has ever had. Steel will come close to the all-time peak of 117 million tons set in 1955 even without automobile demand rising. It will enter 1958 at fairly high levels. Judging from our own company's books—and I admit we may be slightly different from the rest of the industry—we will continue to operate at 100% of capacity into the first quarter of 1958. I can't give definite information beyond that point because we don't open our books that far ahead. Backlogs are high and the demand for plate is still strong.

The rest of the industry — including in the light gauge plate to some degree—has been faced dur-

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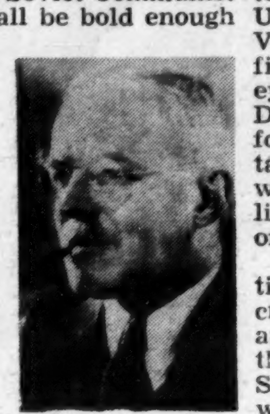
*An address by Mr. Verity before the New York Chapter, American Marketing Association, New York City, Oct. 10, 1957.

The Communists Also Have Their Problems

By ALLEN WELSH DULLES*
Director of Central Intelligence
Washington, D. C.

Aware there are no quick or easy ways out in our relations with USSR, top U. S. intelligence head summarizes the internal paradoxical changes and contradictions confronting Khrushchev stemming from technological, industrial, and educational developments. Though these developments jeopardize Khrushchev, Mr. Dulles points out he cannot stop them and still keep USSR a great power. Given the necessary time, the Russian people can be expected to evolve into freedom peacefully and end the collective communist leadership, providing no wars are induced to bring about military usurpation instead. Explains how Soviet can develop modern missiles superior to German models, and finds Communism ideologically less menacing though technologically its power is still increasing.

I propose to give the results of an analysis of the recent happenings within the Soviet Communist world and I shall be bold enough to draw certain conclusions which support my conviction that radical changes are taking place and more are in the making.



Allen W. Dulles

The initial ideological fervor, I believe, is seeping out of the international revolutionary communist movement, particularly in the Soviet Union. Marxism was not designed for the atomic age of the mid-twentieth century. Effective as Communism has been in establishing control of two powerful nations and imposing its will on a number of Satellite countries, it is beginning to encounter difficulties in coping with the complex industrial and technological problems of today. Further, while some of the industrial and military achievements of both the USSR and Communist China have stirred the pride of its citizens, Communism has failed to devise a political system capable of commanding the loyalties of governed peoples without resort to the cruel barbarities of mass terror. It has satisfied neither the ideals, the aspirations, nor the needs of the people subject to its domination.

Forced to Review

Accordingly, the leaders of international communism are being forced to review their situation and to consider major changes—changes which strike at the very heart of the system. The theories of Marx and Lenin proved useful window-dressing behind which the Communists established their monopoly of political power—the so-called dictatorship of the proletariat. These ideas are of little aid in guiding the Communist dictatorship in meeting the challenge of the world today.

What prophet is there left in Soviet Russia? Marx and Lenin are given lip service, but their advice and counsel have little applicability today. Stalin has been discredited — though his embarrassing remains are still on view in the Kremlin. Khrushchev is unlikely to blossom out as a creator of new Communist doctrine though his impetuosity and unpredictability remain a matter of grave concern in an international situation as tense as that of today. Mao retains his role as a prophet in China, but he, too, is having his troubles.

When Stalin disappeared from the scene a little less than five years ago, he left a clouded heritage. His later years of dictatorship had brought the Soviet Union close to war and disaster. Ventures in Greece, at Berlin, and finally in Korea had opened the eyes even of the credulous abroad. Domestically, harsh measures of forced industrialization and military buildup, successful as they were technologically, had left little place for meeting the needs of the people.

Moreover, the systematic cruelties of the secret police had created popular unrest, suspicion and despair. Khrushchev told us the story of how terror-ridden Soviet life had become in his now well-known secret speech at the 20th Party Congress over a year ago—a speech still unpublished in the Communist world. It was too strong medicine for popular consumption, although bits and pieces of it were allowed to leak out.

Stalin's successors had the difficult task of tempering a dictatorship but yet maintaining complete authority, of doing away with the Stalinist type of secret police repression and yet keeping the people under iron discipline, of maintaining a tight rein but still creating the impression, and giving some of the substance, of a new measure of freedom.

Beria found it hard to fit into this picture. He did not want to relinquish his personal control of the secret police through which he hoped to gain the top position. His plot was discovered and he was liquidated. Since then the military seems to have become the decisive element where force or the threat of force was required to support a political decision.

After the Beria crisis we were told that the dictatorship of the proletariat had become a collective leadership — more properly described as a collective dictatorship. True enough, the crisis of readjustment to the post-Stalin era brought together in uneasy harmony the surviving members of the governing body known as the Presidium of the Party. Many here at home and abroad wrongly estimated that this might be an enduring form of government. Actually bitter personal rivalries and basic differences of philosophies and outlook remain unreconciled.

Authority's Situs

The ultimate authority to make crucial decisions must rest firmly somewhere and that "somewhere" is unlikely for long to be in a collective. Majority rule is appropriate for legislative and judicial bodies, but it does not function satisfactorily in the executive field, where decisiveness of action is essential.

For a time after Stalin's disappearance from the scene, Malenkov tried to lead the collective team, seemingly down a course which promised a better break for the people than they had ever had

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*An address by Mr. Dulles before the Advertising Council, Inc., San Francisco, Calif., Sept. 19, 1957.

Stock Margin Credit Control Hinders Our Economic Future

By G. KEITH FUNSTON*
President, New York Stock Exchange

New York Stock Exchange head urges lowering present 70% stock margin requirement to customary 40 or 50% in charging that the present requirement is superfluously unnecessary and illogically discriminatory. Studies made, declares Mr. Funston, show there's little effect on public's borrowing on the course of stock prices and, instead, its main effect has been to reduce turnover on the Stock Exchange, reduce market liquidity, and dampened corporate willingness to raise new money through equities. Asserts these points are crucial to our economy, that general credit control inhibits stock market credit like any other form of credit, and that debt involved is infinitesimal and non-inflationary.

I recognize that no two people are likely to agree on just **how** we should control the amount of money we borrow, or **what** the effects of those controls are. But we can agree, I believe, that in the past quarter-century we have discovered a great deal about such controls.

G. Keith Funston

Most notably, we have seen that the Federal Reserve Board can — by applying **general** credit controls — effectively regulate the over-all flow of credit or money in our economy. No one knows what soul-searching Federal Reserve Board Members must have gone through in recent years. But the increased reliance on general across-the-board controls, rather than selective controls, represents a little-appreciated and significant departure in the field of money management for which the Federal Reserve deserves hearty approbation.

If you will picture, for a moment, our economy in the shape of a modern, automobile, then general credit controls can be likened, in many ways, to the car's foot brake. The Federal Reserve, sensitive to problems of speed, curves and danger, applies pressure and our economic machine responds. Thus, we find the Federal Reserve active in the government bond market, setting bank reserve requirements and changing the rediscount rate. These broad actions are constructive in controlling inflation and have inevitably been felt in every sector of the economy.

In actual practice, whether you **borrow** to buy a house, take a trip, go into business or to purchase securities, the availability and cost of the money you need will be determined to a great extent by the general credit controls in force, particularly by the rediscount rate.

In addition to these **general** controls there is one more control in the hands of the Federal Reserve. It was fashioned 23 years ago by Congress, and its purpose, in the language of the enabling legislation, was to prevent "the excessive use of credit for the purchase or carrying of securities." This **selective control**—taking the form of so-called margin requirements—governs how much money a person may borrow in order to invest in listed securities. Since April of 1955 the Federal Reserve Board has fixed a margin rate of 70%. In other words a person must make a down payment of 70% in order to purchase listed securities. It is the only selective control remaining in force — the wartime regulation of mortgage and installment credit having been dropped over five years ago.

If general credit controls are comparable to an economic foot brake, then the selective control of stock market credit is very closely akin to an emergency hand-brake. I would like to take a close look at this important emergency brake and pose some difficult questions for you that aren't asked often enough. For example: how much credit is actually involved in the stock market? Is the amount "excessive," and what role does it play? And finally, how is this emergency brake working?

Market Credit Represents Tiny Fraction of Nation's Outstanding Debt

In probing these areas there are two points I would stress. The first is that when referring to the "stock market," I am talking not about the few or the wealthy, but about literally millions of people who have become the voting owners of our businesses. The United States has been through some enormous changes in recent years. Few of them, I believe, are as significant as the trend towards broader shareownership. The emergence of a "People's Capitalism" has been a silent revolution —accomplished, as one writer puts it, without anybody's head falling into the basket. The public has turned towards the idea that if practically everyone can be a customer of our corporations, then almost everyone can share in their profits as well.

This is an idea with tremendous impact — and shareownership has mushroomed. More than 8½ million individuals — most of them with incomes under $7,500 a year —now own shares in our publicly-held businesses. In addition, some 115 million people are indirect owners as a result of their savings in banks, insurance companies, pension funds and other institutions which, in turn, invest in common stocks. These, then, are the people we have in mind when we speak of today's "stock market."

The second point I would stress is this. As regards "market credit," no segment of society other than the securities industry has learned more personally or more painfully that credit must be used wisely and well—as it is being used at present. To our industry, a sound credit structure is vital for creating and maintaining a liquid market capable of satisfying the public's investment needs, and helping meet industry's new capital needs. As a result, we believe that controls on stock market credit—the presence of that emergency brake — are squarely in the public interest. That is not to say, however, that we believe the brake must be jammed on at all times. For as we discover more about the **impact** of credit in the securities industry, it is possible for us to develop new **skills** in regulating it—just as the Federal Reserve has already done in the case of general credit controls. This is a point I would like to come back to.

The stock market credit picture today can best be put in perspective this way. The total private debt in the United States—both individual and corporate — amounts to about $426 billion. Add to this the obligations of government and the total outstanding debt comes to approximately $690 billion.

My chief interest in these figures lies not in joining a debate about the size of our debt, but rather in the chance they give me to expose a sorry old myth about **the fictitious extent of stock market credit.** For example, while the nation's total indebtedness stands at $690 billion, the securities industry accounts for only $3½-$4 billion of this pool. This equals less than ⅝s of 1% to the total. Moreover, **the amount of securities industry credit has actually declined by 25% since the end of World War II.** By way of a simple, comparison, during the same period, farm credit jumped more than 135%, mortgage credit leaped over 350% and consumer credit soared 635%. All this, to repeat, as contrasted against a **decline** of 25% in securities industry credit.

In pocketbook terms, that means that out of every **one dollar** of our total debt, **a little more than one-half of a penny** is being used by the entire securities industry. Yet, this relatively minor amount of credit performs a series of vital services for the nation's economy that are out of all proportion to the dollars involved.

Credit Largely for Investment Purposes

You might wonder, just what do these dollars do?

It is best, I suppose, to acknowledge instantly that people still cling to that persistently false notion that stock market credit somehow has, as its essential purpose, speculating in securities. The truth is so sharply different from this, however, that despite constant repetition, people often tend not to hear it. The fact is that a good portion of outstanding market credit is used by our brokers and dealers in exactly the same way businessmen everywhere use borrowed money: they finance temporary needs; they carry inventories; they meet day-to-day obligations and they repay their loans as required. Moreover, while speculation fills a very useful function in our society when it is undertaken by those who know and can afford the risks—it is a further fact that perhaps 80% of all market credit has nothing to do with speculation as the phrase is usually understood.

What market credit **does do,** however, is lubricate our industry's—and the economy's—wheels. At what might be called the "wholesale" level — where the public is not directly concerned —credit helps underwriters and distributors pay for new issues. Thus, those corporations which issue securities get the money they need, when they need it, even though their securities are still being distributed to the public. Credit also provides stock exchange specialists with the funds they need to maintain orderly markets, and enables odd-lot dealers to carry inventories with which to handle the general public's purchase or sale of a few shares per transaction. Finally, brokers and dealers draw on available credit to meet their normal operating requirements.

At the "retail" level—that is, where individual investors are directly concerned — credit helps brokers carry securities for cash customers during the normal four-day period between the transactions and the date of payment. And it is borrowed money that makes it easier for customers to exercise rights to buy new securities.

Finally, credit enables the public to borrow up to 30% of the value of listed securities in order to buy on margin. Regarding this particular aspect of market credit, let me say that the Exchange Community generally believes that margin purchases should be made only by experienced investors, and that ordinarily, down payments should range from 40 to 50%. We also believe that the new, unsophisticated investor should be encouraged to buy only for cash.

In recent years the New York Stock Exchange, through its periodic Public Transaction Studies, has happily learned a good deal about who is doing the margin buying—and why. There are, for example, some 300,000 margin accounts. They are concentrated among middle and upper-income investors — or among those who can best afford the risks. Very few people of modest income have margin accounts. What is more, more than three out of every four margin transactions are actually made for

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*An address by Mr. Funston before the Women's National Press Club, Washington, D. C., Oct. 2, 1957.

Protecting Public Carriers by Regulating Private Transport

By DR. HERBERT ASHTON*
Director, Transportation and Utilities Division
Bureau of Foreign Commerce
U. S. Department of Commerce

Government official favors placing all forms of public transportation as nearly as possible in the same position with respect to regulative restrictions. Dr. Ashton wants coordination policy based on what each agency is "inherently fitted to perform," and notes that private carriage of both persons and goods today poses one of the most serious problems faced not only by the public carriers but, also by those responsible for public policy with respect to transportation generally. Discusses problems of duplicating facilities, lack of regulation over private operation, and alternative of either less service or higher rates when private carriage draws away business from established public carriers unless there is imposed greater control over private carriage to protect the public interest.

The transportation industry is a service industry. To provide this service, or more properly, these services is its business and its proper source of income. It is the purpose of this paper to consider briefly some aspects of the services which are provided by the transportation industry, with particular reference to certain characteristics, and their effect on the relations today between the several transport agencies.

The elements composing transport services are both qualitative and quantitative. Moreover, these features vary among the different modes of transport. What constitutes improvement in transport service involves both the quantitative and qualitative elements. And, obviously, what can be accomplished in either of these respects is affected by the cost of providing the improvements. The problem facing most governments today is a problem of balancing these services against the cost of providing them, considering the transport systems as a whole. The intervention of governments "to protect the public interest" was sanctioned early in the history of organized public transport. But the fact that government intervention in the operation of transport systems has penetrated to different depths with respect to the different modes of transport is itself a source of difficulty. The three types of transport agencies, considered functionally, i.e., common carriers, contract carriers and private carriers, are subject to very different degrees of control in the United States and in most countries.

The statement that the transportation agencies produce ton-miles and passenger-miles with certain ancillary services is an over-simplification. It implies a homogeneity of product which actually does not exist, and which is one of the reasons for the complexity of the transportation problem today. This lack of homogeneity becomes obvious as soon as attention is directed to the basic elements composing transport services and the characteristics of the several agencies. The present discussion will deal chiefly with railroads; but it is impossible to consider railroad services today without taking some account of the competing forms of transport.

Since it costs something to provide transport services, the principles developed to govern the regulation of rates must be carried over into the field of services.

When the railroads publish tariffs they thereby indicate their readiness and capacity to perform the services covered by the tariffs. There is thus an obligation to perform a service in return for the payment of the charge indicated in the tariff. Regulation of service, as well as rates, has its *raison d'etre* in the fact that the obligation imposed by the publication of a tariff turns out to be far from explicit. Therefore, certain basic principles have been laid down to provide some degree of explicitness to the service obligation. These principles have been condensed into three. Service must be adequate, safe and continuous. These three principle, however, are obviously relative. They imply underlying standards of performance which may change from time to time. They could not be guaranteed in any absolute sense. They have served to foster some degree of uniformity in the services offered different individual shippers. But this uniformity has been conditional because of the necessity of recognizing differences in the actual conditions under which the "same" service must frequently be performed. Moreover, these three principles do not indicate the various elements that go to make service in one case or by one carrier different from another. Other elements of service that have been mentioned from time to time, such as dependability and convenience, have a bearing on the choice of agency made by shippers at different times and have generally been given consideration by regulatory bodies in dealing with matters affecting common carriers. In the case of a regulated industry in which the pricing function has been taken out of the hands of management, competition among individual operators must be in the quality of services offered. Even this kind of competition would be impossible if transport services were actually as homogeneous as must discussions on the theory or rates seem to suggest.

Adequate Service

If we consider for a moment the basic principles applied to the service obligation mentioned above, the significance of the quantitative and qualitative aspects will become apparent. What is adequate service? Obviously, the answer to this question must depend upon circumstances. Included in these circumstances is the nature of the commodity to be moved and the conditions under which the movement takes place. The character of transportation services offered at any given time reflects the nature of the demand for transport. The demand for transport services is in turn conditioned by the nature of the commercial transactions carried on requiring transport services. This relaionship works both ways. The nature and extent of the transportation services available affect the character of commercial transactions conducted.

The supply of equipment, which is of cardinal importance in the adequacy of service, is itself affected by a number of factors. Probably the most important of these is the turn-around time. But this is composed of several elements. In addition to the speed of operation there is also the time consumed by shippers and consignees to load and unload cars. This is affected by the free period allowed before demurrage begins to accrue. Forty-eight hours is a common free period for both shippers and consignees in the United States, excluding Sundays and holidays. With the advent of the five-day week, obviously, this time is automatically extended. Even during the Second World War the controlling agency, the Office of Defense Transportation, did not order a general reduction in this free period. In Europe, however, much more drastic action was taken. It is reported that in Germany it was reduced to six hours, in some cases. Europe generally is now operating on a shorter "free period" than is the case in the United States. The fact that in United States cars are larger than European goods wagons may justify some of the differences in time, but not all of it.

During the past war the attempt was made to maintain adequate service through improved utilization of equipment by increasing the load per car. This measure, however, has its limitations, and needs to be carefully followed in the effect it may have on the turn-around time of cars.

In many cases it will make very little difference in the time the car is detained. In others, however, depending upon the character of the lading, there may be an appreciable effect. It has been shown, for example, that with an active car supply of 1,850,000 cars (about the figure at present for the United States, including privately owned cars) and an average load per car of 30 tons, an increase of one ton per car with a 14½-day turn-around time is equivalent to adding 46,573,000 tons hauled per year. If, however, instead of adding one ton to the load per car the turn-around time of cars were reduced by one day, the tons moved per year would be increased by 103,508,000 tons. At the level of operations assumed here, therefore, it would be more profitable for the carriers involved to increase their efficiency of operation so as to reduce the turn-around time of the cars by one day than to increase the average load per car by one ton.

Obviously, as the average load per car is increased, with no change in the turn-around time of cars, the effectiveness of further increases in the load tends to decline. Similarly, as the average turn-around time increases, the effectiveness of reductions in improving the total net carrying capacity tends to decrease. The determination of the more effective means of increasing the net carriage will depend not only on the level of operation as to speed and load per car but also on the extent of change in either which is feasible under any given set of circumstances. In Europe and most other parts of the world average turn around times are considerably lower than in the United States, but so also are average loads per car. The relationship between these two elements deserves the attention of those officers who are responsible for improving the carrying capacity and efficiency of the individual transport agencies. Each of these measures can be relied on to increase the net carriage, but if effort is expended on only one of these means without considering the possible effect on the other, such effort may defeat its own end. In terms of United States operation, if by increasing

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*An address by Dr. Ashton before the IX Pan American Railway Congress, Buenos Aires, Argentina, Sept. 5, 1957.

Need for Orderly Development Of Foreign Oil Reserves

By RALPH O. RHOADES*
Senior Vice-President, Gulf Oil Corporation

Senior Gulf Oil official avers "we now should be importing more of the Middle East production into this country, and eventually we must do so." Mr. Rhoades blames crusaders and theorists, who are ignorant of oil facts, for instigating a witch hunt which would legislate international part of the oil industry, upon which we are said to be growing more dependent on, into oblivion. Does not believe: (1) national security is involved in oil import situation; (2) percentage depletion should be only confined to domestic production, or that it is any more of a subsidy than capital write off for depreciation of manufacturer's plant structure, and (3) Arabs will react irrationally to Israel until boundaries are fixed beyond any doubt and the refugee problem is solved.

I have chosen to concentrate on an area that suffers most from being least understood—the Middle East. By virtue of its geographic and historical relationships, this area has repeatedly been of great international importance. In modern times, and particularly in the heyday of the British Empire, the British exercised influence in Egypt, the Red Sea and the Persian Gulf; and the importance of the area was essentially due to the fact that it lay athwart the route of empire trade and travel. Now, that geographic relationship is still important, but, today of course, the prime factor of importance is the region's oil production and its reserves of oil that can be expected to play an increasingly significant role in the world's requirements of oil and products.


Ralph O. Rhoades

The political changes in the Middle East following the first World War were very marked. With the dissolution of the Turkish Empire, the creation of independent states and mandated areas broke the region into a number of distinct units. After the second World War the mandated areas became more independent, particularly in the Arab world, and there is little left of the political aspects of pre-World War I days.

I believe the small Shaikhdoms in the Persian Gulf and around the outer part of Arabia have changed their political relationships least. These are the units that have treaties with Great Britain under which they enjoy some independence of their big neighbors as British protected states. Eastward of the Arab world, Persia remained much the same but India became independent and Pakistan was created as an independent state after withdrawal of the British from India. All these changes weakened the influence of the European powers, and for one reason or another the rulers and governments of the Middle Eastern countries felt themselves stronger in their sovereign rights than ever before in modern times, and acted accordingly.

The oil industry, as we know it, had its beginning in this area in the early years of the twentieth century when commercial production was started at approximately the same time in Egypt and in Persia. By the beginning of the first World War the importance of the Persian oil production was well recognized by the British. Following the first World War the international oil interests began paying more attention to the Middle East, and particularly concentrated on Mesopotamia. British, American, French and Dutch interests combined in the Turkish Petroleum Company and in the mid-twenties started activities on a concession which led to the opening of the Kirkuk oil field in the northeastern part of the country, in what we now know as Iraq. The Turkish Petroleum Co. was reorganized into the Iraq Petroleum Co. in the late 1920's. The success in Iraq and the progressive buildup of operations in Persia led to concessions being taken up in the Arab areas of the Persian Gulf and elsewhere in the 1930's, and during the 1930's oil was discovered in Bahrein, in Saudi Arabia, and in Kuwait. By the beginning of the second World War it was abundantly obvious to the operators in the region that tremendous producing potentials existed, but the fact was not generally newsworthy. Following World War II, the world became more and more conscious of the importance of the Middle East oil industry and new producing countries were added to the list, such as Qatar, in the lower Persian Gulf. The Kuwait Neutral Zone, and the number of other new producing fields were developed in the older areas. To the northwest of the fields in Iraq, Turkey has a little production and may prove to have considerably more, and far to the southeast, on the extreme southeast part of the Arabian Peninsula, commercial production has apparently been found recently in the Province of Dhofar. Thus we may say the oil bearing region of the Middle East has an extent of more than 1,500 miles, and to date it is only partly explored.

Area's Growing Importance

The importance of this area as a source of petroleum for the rest of the Free World is growing day by day. A summary of that growth and a measure of its importance is contained in the following table which compares, area by area, the 1947 production in the more significant areas, with that of June 1957 in terms of thousands of barrels per day:

	1947	1957	Increase
Bahrein	25.8	30.1	4.3
Iran	424.7	735.0	310.3
Iraq	98.2	435.9	337.7
Kuwait	44.5	1,370.0	1,325.5
Neutral Zone	---	75.0	75.0
Qatar	---	145.8	145.8
Saudi Arabia	246.2	1,164.3	918.1
Total	839.4	3,956.5	3,117.1

I will not burden you with detailed figures of reserves, which have been stated by various and sundry authorities, each one vying with the other to create a more impressive total that may or may not be completely substantiated. It will suffice to say that as a whole the oil reserves of the region would appear to be more

Continued on page 38

*An address by Mr. Rhoades before the Boston Stock Exchange, Sept. 30, 1957.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

John F. Simpson, Miss Jean D. Tyrer and George E. Wenskus have been appointed Assistant Managers of **Chemical Corn Exchange Bank, New York,** it was announced by Harold H. Helm, Chairman. All are members of the bank's metropolitan division. Mr. Simpson is located at the bank's 74th Street & Madison Avenue office; Miss Jean D. Tyrer at 65th Street & Second Avenue, and Mr. Wenskus at 44th Street & Broadway.

James D. Elleman, Joseph B. Hartmeyer and John P. LaWare have been appointed Assistant Secretaries of the Chemical Corn Exchange Bank, it was also announced on Oct. 17. Mr. Elleman is a member of the bank's metropolitan division and Messrs. Hartmeyer and LaWare are with the bank's national division, all at 165 Broadway, New York.

* * *

Francis Sydney Bancroft, Chairman of the Board and former President of the **Excelsior Savings Bank, New York** died on Oct. 21 at the age of 76.

In 1930 he was elected a Trustee of the Excelsior Savings Bank, and between 1933 and 1945 he served as Vice-President. From 1945 until 1949 he was an active Vice-President. He was made President in 1949. Since 1956 he had served as Chairman of the Board.

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	Oct. 11,'57	June 29,'57
Total resources	$3,442,163	$4,654,553
Deposits	291,523	1,351,735
Cash and due from banks	1,454,725	2,632,472
U. S. Govt. security holdings	435,641	435,635
Undivided profits	559,793	549,483

* * *

At a recent meeting of the Board of Directors of **The New York Trust Company, New York,** Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President, announced the following promotions and appointments:

John J. O'Connell, formerly an Assistant Vice-President, has been promoted to Secretary, effective Nov. 1.

Milton A. Cole, formerly an Assistant Secretary at the 40th Street office, has been promoted to an Assistant Vice-President.

Arthur A. Denton, Jr., formerly an Assistant Secretary, has been promoted to an Assistant Vice-President in the Personnel Division.

John L. MacDougall, formerly an Assistant Treasurer, has been promoted to an Assistant Vice-President in the Treasurer's Division.

Dozier N. Fields, formerly an Assistant Trust Officer, has been promoted to a Trust Officer in the Personal Trust Division.

Lloyd Lowndes, formerly an Assistant Trust Officer, has been promoted to a Trust Officer in the Personal Trust Division.

Christian J. Brownlie at the Seventh Avenue office was appointed an Assistant Treasurer.

* * *

The election of Alger B. Chapman as a Trustee of **Empire City Savings Bank, New York,** was announced by Charles Diehl, President.

* * *

If approved by the Controller of the Currency the **State Bank of Suffolk, Bay Shore, N. Y.,** will merge into the **Franklin National Bank, Franklin Square, N. Y.**

Charles N. Silcox was elected a Director of the **Liberty Bank of Buffalo, N. Y.**

* * *

Louis H. Gross, President of the **Union National Bank of Troy, N. Y.** died on Oct. 21 at the age of 65.

* * *

Peter DeLeeuw Jr., President of the **National Community Bank of Rutherford, N. J.** died Oct. 18. He was 43 years old. Mr. De Leeuw was President of the **First National Bank in Garfield** and was named President of the institution that resulted from the merger of the **Garfield Bank** and the **Rutherford National Bank.** His banking career began as office boy at the **Lodi Trust Company** and then as Assistant Cashier of the Garfield Bank.

* * *

Girard Trust Corn Exchange Bank, Philadelphia, Pa., now has six offices in suburban Montgomery County as the result of two mergers.

The mergers of Girard Corn Exchange with **Ambler National Bank, Ambler, Pa.,** and with **The National Bank of Narberth, Narberth, Pa.,** became effective with the opening of business Monday, Oct. 14. The two suburban banks are now the Ambler Division and the Narberth Division of Girard Trust Corn Exchange Bank.

Walter Reller, former President of the Ambler Bank, is now Girard Vice-President in charge of the Ambler Division. This division includes the Bank of Ambler Office in Ambler, the Flourtown Office and the Fort Washington Office.

Carl B. Metzger, Jr., formerly Executive Vice-President of the Narberth Bank, heads the Narberth Division as a Girard Vice-President. He is in charge of the Bank of Narberth Office in Narberth and the division's other offices in Wynnewood and Bala-Cynwyd.

Girard Corn Exchange also plans to open new offices in North Philadelphia, Northwest Philadelphia and West Philadelphia before the end of the year. These three branches, together with the Ambler and Narberth Divisions, will bring the bank's total offices to 26.

Employees of the Ambler and Narberth Divisions have become staff members of Girard Corn Exchange. The staff at the Bank of Ambler Office includes James G. Klee, Assistant Vice-President; John W. Astler, Assistant Treasurer; and Marie Wright, Assistant Secretary. Walter S. King, Assistant Treasurer, continues as manager of the Flourtown Office.

At the Bank of Narberth Office Everett C. Gottier continues as Vice-President; William Dempsey as Assistant Treasurer; Walter Glasgow as Assistant Treasurer; and Elizabeth P. Caldwell as Assistant Secretary. Albert L. Lambert, Jr., Assistant Vice-President, is in charge of the Wynnewood Office. Joseph F. Malott, Assistant Vice-President, manages the Bala-Cynwyd Office, assisted by Alexander J. Puring, Assistant Treasurer.

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Edward B. Pollock has been promoted to Assistant Vice-President of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.** He is manager of the bank's office at 12th and Spring Garden Streets.

Mr. Pollock joined the bank as a teller in 1931. In 1942 he was transferred to the Burholme Office as a teller and was appointed manager a few months later. He was appointed Assistant Treasurer in 1951 and moved to the Spring Garden Office as manager in 1954.

John C. Janoski has also been appointed Assistant Treasurer of Girard Trust Corn Exchange Bank, Philadelphia, and manager of the bank's office at Torresdale Avenue and Orthodox Street. He was formerly Assistant Manager of the office.

Mr. Janoski joined the bank as a teller in 1948. He was later an Assistant Manager trainee and was appointed Assistant Manager of the Orthodox office in 1954.

Walter E. Rooney has also been appointed Assistant Treasurer of Girard Trust Corn Exchange Bank, Philadelphia. He is Assistant Manager of the bank's Suburban Station office at 17th St. and Pennsylvania Boulevard.

Mr. Rooney joined the bank as a teller trainee in 1944. He moved to the Commercial Credit Department as an analyst in 1948. He was later administrative assistant to commercial loan officers before training as an Assistant Branch Manager. He was appointed Assistant Manager of the Suburban Station Office in 1956.

* * *

The First National Exchange Bank of Roanoke, Va. increased its common capital stock from $2,000,000 to $2,400,000 by the sale of new stock effective Oct. 7. (Number of shares outstanding—240,000 shares, par value $10.)

* * *

The common capital stock of **The First National Bank of Barrington, Ill.** was increased from $250,000 to $325,000 by a stock dividend and from $325,000 to $400,000 by sale of new stock effective Oct. 10. (Number of shares outstanding — 16,000 shares, par value $25.)

* * *

Announcement of a new branch of **The Michigan Bank, Detroit, Mich.,** in the heart of downtown Detroit's shopping center is made by John C. Hay, President.

The new bank will be located at 1420 Woodward in the building previously occupied by Wise Gift Shop. Remodeling has already begun and it is expected that the new building will be open by Dec. 15.

Establishment of the branch marks the seventh of The Michigan Bank. New quarters for the Plymouth Road-Grand River branch were opened only two weeks ago and the sixth branch is scheduled for its grand opening in Grosse Pointe Park on Thursday of this week.

* * *

By a stock dividend **The Fidelity National Bank & Trust Company of Oklahoma City, Okla.** increased its common capital stock from $750,000 to $1,000,000 effective Oct. 8. (Number of shares outstanding — 100,000 shares, par value $10.)

* * *

First National Bank in Bartlesville, Okla. increased its common capital stock from $600,000 to $1,000,000 by a stock dividend effective Oct. 9. (Number of shares outstanding — 50,000 shares, par value $20.)

* * *

The First National Bank, Sayre, Oklahoma elected J. A. French, President to succeed Guy Ford who was named Chairman of the Board.

* * *

By the sale of new stock, the common capital stock of **The Citizens and Southern National Bank of South Carolina, Charleston, S. C.** was increased from $1,914,000 to $2,150,000 effective Oct. 9. (Number of shares outstanding—215,000 shares, par value $10.)

* * *

Citizens & Southern National Bank, Atlanta, Ga., elected Pat F. O'Brien as a Director.

Milton O. Johnson, Vice-President in charge of Research and Investment for the **Marine National Exchange Bank, Milwaukee, Wis.,** has announced plans to retire on May 31, 1958. The announcement was made by Eliot G. Fitch, Marine President, following the bank's October Board of Directors meeting.

Approaching the bank's normal time of retirement, Mr. Johnson has been with the Marine since 1938. He plans to retire prior to his normal retirement date with the intent of continuing in investment management and related activities beyond the retirement date.

* * *

John S. Griffith has been appointed a member of the Board of Directors of the **Bank of America, San Francisco, Calif.**

Mr. Griffith was one of the organizers and Chairman of the Board of the former **People's Bank of Lakewood,** now a part of the Bank of America system.

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The American Trust Co., San Francisco, Calif. elected A. William Barkan, John M. Diggs, S. P. Stevens, and N. Fisher Thomas as Vice-Presidents.

* * *

The Directors of **Westminster Bank Limited, London, England** announce the appointment of Sir Arthur F. B. Fforde as a Director of the bank.

* * *

A new capitalization program for **Bank of Hawaii, Honolulu, Hawaii** which increases its capital stock from $3,300,000 to $5,500,000 and increases capital funds in excess of $14,000,000 has been successfullly completed according to R. A. Peterson, President.

Outstanding common shares have been increased from 165,000 to 275,000, and stockholders now number approximately 1,150.

Geo. F. Oswald Forms Own Firm in Cincinnati

CINCINNATI, Ohio—Oswald & Co., Inc. has been formed with offices in the St. Paul Building to engage in a securities business. Officers are George F. Oswald, President and Treasurer; Ralph A. Westerfield, Vice-President; and Helen C. Richter, Secretary. Mr. Oswald was formerly an officer of Smart, Clowes & Oswald, Inc., with which the others were also associated.

George F. Oswald

James Coughlin Joins Staff of Coughlin Co.

DENVER, Colo. — James M. Coughlin has joined the sales department of Coughlin and Company, Inc., Security Building. Mr. Coughlin was graduated from Notre Dame, class of June 1957.

Phila. Inv. Assn. to Hear R. A. Powers

PHILADELPHIA, Pa.—Robert A. Powers, syndicate manager of Smith, Barney & Co., New York, will be the guest speaker at a luncheon meeting of the Investment Association of Philadelphia to be held Friday, Oct. 25, at the Mask and Wig Club, 310 South Quince Street, Philadelphia. Mr. Powers will speak on "Syndicating Procedures." C. Wesley Welsh, 2nd., partner of Robt. Glendinning & Co. is in change of arrangements.

Two With Armstrong Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Victor Cornea and Robert L. Mott are now with Armstrong, Jones, Lawson & White, Incorporated, Penobscot Building, members of the Detroit Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market cracked ominously this week but just when the air in the Street was the bluest in years the industrial section put up something of a fight against continuing declines.

Another 1929?

Ever since the unsuccessful attempt by the industrial average to post a new high early in July, the decline has been exceptionally persistent, at times inviting dour comparisons with action in October of 1929.

* * *

In the short span of three months the fall in the industrial average reached a full 100 points. The resistance to a further slide came at the 400-420 area where some chart work indicated there should be at least temporary support.

* * *

There was little unanimity over where the slide will finally establish a base. The purists who maintain that a one-half correction of the long runup, from 160 in 1949 to 520 at the record peak, is in order, have a target of 340. Their claim bumps into the opposition contention that there is nothing in the business situation that calls for anything that drastic. About the only agreement is that it will take a long time to build up a solid floor again so there is still no guarantee that the exact level where it will materialize has been fixed.

* * *

There is hardly any agreement, either, over just what is responsible for accelerating the decline at this particular time. It would lead to a conclusion that the influences are many, ranging from such as the Syrian threat to an impaired technical situation with investment selling and margin calls responsible for speeding up the process lately.

* * *

Tight money, plus assertions by the Federal Reserve that there is little likelihood of an imminent change in attitude; the spotty profit picture, inventory gluts in various lines, an evident pinch on rail earnings and a sprinkling of dividend cuts and omissions that hardly paint a picture of a general business boom all had a part in the performance.

"Heart Attack Market" Comparisons

Most comparisons that are bandied about over the market's performance now stretch back to around the time of the President's heart attack late in September of 1955. And, unless the market is headed for an out-and-out rout, these will probably hold for awhile.

* * *

So far the better-than-10 points sheared from the industrial average on one setback was the worst single session since the 1955 deluge. At that time on a secondary selling surge better than 13 points was slashed on one session. But a couple of weeks earlier when the shock of the news was fresh, the average lost more than 31 points in one deluge and this was the worst since the 1929 debacle.

* * *

Volume so far has nudged into the five million level but still has a long way to go to reach the 7.7 million that changed hands on the "heart attack" break. The tickers have lagged repeatedly, mostly on liquidation pressure, in this week's sessions but nothing approached the three-hour lag of Sept. 27, 1955, when the tape reports were around a third of an hour late when they finally appeared.

* * *

The big difference in the markets of 1955 and currently is that the near-record achievements of two years ago were mostly emotional and it wasn't long before the damage was repaired and the boom in the economy generally held sway in time. Now the boom is definitely suspect.

Defensive Sections Disappoint

The defensive sections of tradition haven't yet shown that they could live up to their billing since even the utility section was harshly handled on occasion. Foods have shown no great sign of independent strength but, on the other hand, neither did they go to excessive lengths in the enthusiasm of earlier months.

* * *

National Biscuit, largest in the cracker-biscuit field, has been available at a yield of better than 5%, but has wandered over a range of only a shade over five points all this year. In the last decade the company has been energetic in bringing its plant up to today's automation levels. The dividend, consequently, has been held level for that period. With completion of its program in sight, improved profit margins should result. In fact, earnings for the first half of the year were modestly higher. With the benefits of new efficiency and economy, the improved showing should in time be reflected in the dividend payout.

Tobaccos have been well depressed, even before the market generally, with the recurrent cancer scares. But here again the results the firms are experiencing haven't been much of a market prop so far. Moreover, any smokers converted into non-tobacco users undoubtedly have already been convinced and are no longer customers, yet consumption is on the upgrade. Most of the tobacco giants, however, are available at historically low price-times-earnings ratios. In the case of Reynolds Tobacco, this ratio lately has been below the 10-to-1 line despite an increased dividend.

* * *

Drug shares, too, have been going along with their own private boom, what with Salk vaccine and the new flu vaccine bolstering their operations importantly. It didn't prevent Allied Laboratories, with its leading position in these fields, from appearing on the lists of new lows and selling at recent prices at well below the 10-to-1 times-earnings ratio on its anticipated showing of around $6 for this year.

Missile Enthusiasm Evaporates

With confidence largely evaporated, even the missile issues were among the laggards despite the almost-guaranteed prospect that their operations will be stepped up sharply to help this country win back preeminence in this field. Martin Co., which is the prime contractor for our own satellite, did recover somewhat from the low level it reached even before Russia put an artificial moon into the skies. But it was no stalwart in dreary markets and is well deflated from levels where it sold when aircrafts generally were more popular.

Bargain Hunting

The old game that had disappeared recently — culling out issues available at less than their working capital—was coming back into vogue again and the candidates in this group were many and varied, ranging from Pullman and White Motor to Electric Storage Battery and Distillers Corp.-Seagrams. In addition to being "worth more dead than alive" this select group was also in the high-yielding bracket with returns at recent prices ranging from 6½% for Distillers Corp. to nearly 8% in Pullman and White.

Meanwhile, the market proved once again that when investors are frightened, such important considerations as improved earnings, high yield, intrinsic value, etc., all come second in popular consideration.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Must Be Partners in Profit Or Partners in Liquidation

By C. H. MURPHY, JR.*
President, Murphy Corporation
El Dorado, Arkansas

Charging that the law fails to distinguish basic economic differences between public utilities providing service under exclusive franchises and the business of a producer, Mr. Murphy calls for "a reasonable market price" type of legislation which will free the FPC from its duty of applying utility cost-of-service formula in setting natural gas rates.

As a natural gas producer I would be less than human if I did not observe that while we are using figures of speech the producer finds getting his shoulder to the wheel just a bit awkward while the yoke of unsound Federal regulation presses on his neck! And to carry the analogy of a beast of burden farther the producer can't help feeling—after the blows received in the past few years—a bit like the mule bought by a city-bred man turned gentleman farmer. You know the story—the greenhorn turned to a son of the soil to ask assistance in breaking the mule to harness. The first thing the old farmer did was to club the animal on the right of the head. The mule staggered to the side and the farmer walloped him on the other side. Then he brought the club squarely between the mule's eyes and as the poor beast sank to his knees the city man, recovered from shock, broke in to say, "Heavens, man, I just wanted you to teach my mule to wear harness—not kill him." The old farmer replied, "Son, that's all you know about mules. Before you can teach a mule anything, first you've got to get his attention!" Well, after the blow of the Kerr Bill veto on one side of the head, the wallop of the Phillips case decision on the other side, and veto of the Harris Bill as the blow squarely between our eyes why, then, consumer's representative certainly must have our attention!

Wants to Produce

We must be partners in profit for although our industry presents a wonderfully efficient flow of its product from the face of the producing sand right to the housewife's burner tip, it is unique among great industries in that some of the facts of its history limit the degree of vertical integration that is possible or even desirable. Most of the gas in the country has been found by oil operators as an incident to their search for crude oil. They have neither the capital (as a normal budget item), the experience, the men, the time, nor the desire to build the long lines and then to go into the business of distributing gas to the consumer—a function so efficiently performed by the local utilities. On the other hand, the local utilities have neither the capital (as a normal budget item), the experience, the men, nor the desire to go into the business of looking for gas even though that field is wide open to them. All of use have known those things but in the recent sessions between representatives of distributing utilities, long lines, and producers certainly a clearer emphasis has been laid upon our respective problems. If in those talks John Heyke has become convinced that he does not want to wade 40 miles into the ocean to drill a $2 million wildcat well that is more likely to be dry than productive then I stand persuaded that I don't want to face the ire of mythical Mrs. Brooklyn when her gas is cut off! We must be—and want to be—"Partners in Profit."

Oil vs. Natural Gas

Where does the producing member of this partnership stand today? He is at the crossroads, up a tree, out on a limb, or any other mixture of metaphors one can conceive because just as gas was changing from a by-product of his oil business to an object worthy of search in its own right the confusion of Federal regulation of his typical risk-taking business fell upon him.

To review for a moment. In the old days the wildcatter was looking for oil. As a major industry oil is older than natural gas and long has there been a reasonably good market for it. Even if found in remote areas it could be moved by tank car or tank truck until enough of it was developed to justify a pipeline. On the other hand, gas cannot be moved at all except by pipeline and there were precious few of them. The wildcatter knew the sterling qualities of gas as a fuel—its cleanliness, efficiency, that you and I like to boast about. But many is the old timer who ground his teeth in frustration when the pay sand at last found turned out to carry gas instead of oil because he couldn't sell the gas unless he happened to be near a town of some size. Too, much of the gas was found in common with oil and, again, unless it was by accident near one of the pioneer transmission lines or a sizable town it simply had to be flared because it came out of the ground commingled with oil. Under those circumstances the 5 cents per MCF and then the 10 cents per MCF the producer could get for his gas was accepted without regard to the energy it contained and without pause to consider the portion of the total exploration effort that might be allocated to it. But those were the days when gas delivered was a mere quadrillion BTU's and when it represented less than 5% of the total energy supply. A far cry from the state of an industry today that supplies 10 quadrillion BTU's a year representing some 25% of the total energy required. And all of us hope that it is headed for 30 and beyond. With our thousands of employees looking to us for a living, with the investor who has advanced some billions of capital expecting a reasonable return, and with Mrs. Mary Q. Public demanding a fourth and more or her energy requirement in this premier fuel can we—as "Partners in Profit" —let gas supply remain subject to the vagaries of a fickle by-product economy?

Must Provide Incentive

Now on an energy basis the known gas reserves of the country are more than a third again greater than those of oil. But at present prices for both discounting future income to present worth the value of gas reserves is only 35% or so as great as oil. Obviously this cannot go on forever. Subject only to allowance for greater cost of transportation and difficulty of handling the two must come into equilibrium and anyone familiar with the cost of maintaining oil reserves these days will tell you that the price

Continued on page 39

*An address by Mr. Murphy before the American Gas Association, St. Louis, Mo., Oct. 7-9, 1957.

Consolidated Edison 5% Bonds Offered

A nationwide underwriting group headed by The First Boston Corporation offered for public sale yesterday (Oct. 23) a new issue of $60,000,000 Consolidated Edison Co. of New York, Inc. 5% first and refunding mortgage bonds, series N, due Oct. 1, 1987, price at 100.777% and accrued interest to yield 4.95% to maturity. The issue was awarded to the group Oct. 22 on its bid of 100.13999% for the indicated coupon.

The proceeds of the sale will be applied by the company to the payment of short-term bank notes which will total an estimated $43,000,000 upon issuance of the bonds. The notes were issued in connection with the interim financing of the company's construction program. The balance of proceeds will be applied to payment for additions to utility plant after Aug. 1, 1957. During the period Jan. 1, 1952 to July 31, 1957 the company and its subsidiaries made gross property additions of approximately $606,600,000, of which $541,900,000 was for electric plant, $34,800,000 for gas plant, $12,000,000 for steam plant and $17,900,000 for common plant.

During the remainder of 1957 the construction program will involve expenditures estimated at $60,000,000 and will continue through 1961 at the rate of about $150,000,000 a year.

Series N bonds are not redeemable prior to Oct. 1, 1962 with proceeds of new debt securities bearing a lower interest cost than that borne by the current issue. Optional redemption prices for the bonds range from 105.78% if redeemed on or prior to Oct. 31, 1958 and thereafter at prices decreasing to the principal amount after Oct. 31, 1986.

The company's long-term debt outstanding as of July 31, 1957 amounted to $839,791,000. Also outstanding at that date were 1,915,319 shares of preferred stock of $100 par value and 13,714,094 shares of common stock without par value.

Consolidated Edison supplies electric service in the five boroughs comprising Greater New York and in a part of Westchester County; gas service in three boroughs and the more populous parts of Westchester and steam service in the Borough of Manhattan.

For the 12 months ended July 31, 1957 the company's total consolidated operating revenues were $540,253,000 and gross income before income deductions was $78,373,000. In the 1956 calendar year the figures were $522,531,000 and $76,420,000 and in 1955 $493,620,000 and $72,864,000.

Copley Adds to Staff

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—Raymond H. Vieregge has become affiliated with Copley & Company, Independence Building.

With H. Carroll Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Eugene L. Smaldone has become associated with H. Carroll & Co. Equitable Building.

Mountain States Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Charles R. Tierney has been added to the staff of Mountain States Securities Corporation, Denver Club Building.

With Harry W. Peters

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo. — Rodney W. Young has joined the staff of Harry W. Peters, 411 Main Street.

From Washington Ahead of the News

By CARLISLE BARGERON

In Washington it is the Fall of the year; the falling leaves are red, golden and brown. A lot of people associate Fall with arteriosclerosis, but I find it the most pleasant time in Washington, the Capital (as I am frequently told by the USIA) of the nation and, because of our mightiness, of the world.

Carlisle Bargeron

Spring in Washington is always disappointing. Out comes the buds, the new greenery and the new birth of life. You have only a few weeks of this and then the nation's Capital suddenly becomes as hot, seemingly as Hades. My point is that spring is very short-lived in Washington. Fall goes on for several months before winter—never too severe—comes, and you long enjoy the savor of it.

Tourists are still flocking here at this time of the year; every day bus loads, from this high school and that, come here to take pictures of, and be inspired by, the government. They see empty chambers in the Senate and in the House but the Capitol guides give them plenty of history to discourage them later in the night from dropping paper-filled bags of water out of their hotel rooms onto passing pedestrians. It has been said, and I hope it is true, that these trips to Washington on the part of youngsters cuts down juvenile delinquency.

Intertwined with these youngsters with their inevitable cameras, are returning Congressmen; fellows who have been abroad "studying conditions" on the basis of the fact that we are giving away a lot of money abroad and our elective representatives should study how it is being spent. They go forth on individual missions, accompanied by their wives; they go forth on missions as representatives of a particular committee. They make studies—indeed, they can't escape the studies because there are our Embassy people abroad all ready to hand them packets of literature on the subject—on the contours, the geography and the interesting places in the country to visit. They come back with the same impressions which the average American tourist has, which usually turns on whether a particular taxi driver cheated them or not.

But returning, they rush by Washington before going to their homes to issue a statement of their impressions, whether foreign aid should be stepped up or reduced. Washington is the great political mouthpiece. There are more than 1,000 newspapermen here and—with Congress not being in session there are dull times—so a returning Congressman is likely to get a good press audience, and somehow a statement issued in Washington will get more newspaper space than it would from Sioux Falls, for example. There are more idle fellows here to write about it.

So here is where the Congressmen return to tell of their impressions of Europe and Asia. And inasmuch as they are trying to be individualistic, trying to make something new for the headlines, we get some mighty crazy ideas.

Quite naturally, the Congressmen who are in demand for statements right at this time are those who have just returned from Russia. Several of our Congressmen visited the land of inscrutable faces and impossible language this year. Interestingly enough, none of them went in as important personages, met and escorted by the Russian foreign staff. They went in Intourist which is an agency the Russians have for foreign visitors. Before you go in you have paid for your whole visit, so much a day including hotels, meals and transportation. You have paid for so many days and you don't extend your time of stay. The government has arranged that you get such and such for breakfast, for lunch and for dinner. You are entitled to a prescribed taxi ride, to visit certain prescribed places. There will be a guide at your door every morning telling you what your schedule is for that day.

None of the Congressmen with whom I have talked dislike this. When they get into the land of inscrutable faces and impossible languages, they feel so lost that none of them would venture out of the hotel without the guide.

So they come back with their impressions. The one who has made the most publicity mileage out of it is Senator Albert Gore of Tennessee. He is not bothered about any impressions but he learned while over there—in fact he was told — the Russians are building several atomic power plants. This is right up the Senator's alley. He wants this government to build public atomic power plants; in fact, any sort of public power plants. We don't need atomic power plants, but nevertheless the Tennessee Senator is getting a good publicity run on his theme. Probably justified his trip except that we all knew the Russians were doing these things.

With White, Weld

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Frederick B. Higbie and George H. Pfau, Jr. have become associated with White, Weld & Co., 111 Sutter Street. Mr. Pfau was formerly with Stern, Douglass & Co.

Railroad Securities

New York Central

The breakdown of earnings of the New York Central Railroad for August ana the first eight months of this year shows the road continues to spend large sums on its maintenance of way program. For the month of August, maintenance of roadway expenses were up 5.26% above the like 1956 month and for the first eight months of this year, this item showed an increase of 1.41% over a year ago.

On the other hand, maintenance of equipment expenditures showed a drop from a year ago. For the month of August, equipment repairs took 17.3% of gross revenues, down 0.45% from August 1956. For the first eight months, this operating expense item took 17.32% of gross revenues, down 0.10% from the comparable 1956 period.

In the 1957 period, New York Central has paid out $5,431,229 and incurred obligations of $39,735,918 for the acquisition of 4,797 freight cars and 26 diesel locomotives through equipment trust certificates and conditional sale agreements. It is interesting to note that in the month of August a total of 622 revenue freight cars, 390 box cars and 232 other types, received general repairs. For the year to date, a total of 7,752 cars received medium and heavy repairs. The percentage of bad order cars requiring heavy repairs on Sept. 1, 1957, was 3.1% of the total ownership as compared with 2.5 on Jan. 1, 1957, and 2.6% on Sept. 1, 1956.

During the first eight months of this year, the Central has shown marked progress in improving the physical condition of the property. During this time, road maintenance has progressed with 12,088 tons of new rail laid, 881,059 crossties installed and 1,301 miles of track surfaced. In addition, the carrier placed an order for 150 specially designed flat cars 79½ feet long and capable of carrying two Flexi-Van units each. These are scheduled for delivery by the end of this year.

At the end of August cash amounted to approximately $32.6 million and short term investments of $41.0 million making an aggregate of $73.6 million. This figure showed no change from the total at the end of July 31, 1957, but was a decline of $9.1 million from Aug. 31, 1956. Working capital on Aug. 31, 1957 was placed at $49.3 million. This was a decline of $5.5 million from July 31, 1957 and a decrease of $17.1 million from Aug. 31, 1956.

It is interesting to note that funded debt and other obligatins of the Central and its lessor companies have increased since the end of last year, due principally to the issuance of additional equipment trust certificates.

The following tabulation shows the balance of debt outstanding at the end of last year, additions to this debt and retirements during the period and the balance of debt outstanding on Aug. 31, 1957:

N. Y. Central—	Balance Dec. 31, 1956	Additions	Retirements	Balance Aug. 31, 1957
Bonds	$540,586,075	--------	$3,184,200	$537,401,875
Eqpt. Obligations	220,333,763	$39,735,918	20,051,694	240,017,987
Misc. Obligations	28,702,583	140,000	954,422	27,888,161
Total	$789,622,421	$39,875,918	$24,190,316	$805,308,023
Other Companies—				
Bonds	$168,350,625	--------	$1,594,000	$166,756,625
Grand Total	$957,973,045	$39,875,918	$25,784,316	$972,064,648

A Showdown Battle on Foreign Trade Policy

By DR. H. E. LUEDICKE*
Editor, "The Journal of Commerce"

A showdown on foreign trade in 1958 is expected by Editor and Economist Luedicke who finds that statutory exceptions have become so numerous as to endanger our foreign commerce policy. Denying any exaggeration of the seriousness of this, the "Journal of Commerce" head warns that the protectionist element in Congress is girding for a mortal blow which would place the President's review power over Tariff Commission findings in the hands of Congress itself. Notes exporters never had it so good; sees 1957 exports at 10 to 12% above last year; and doubts we can push exports higher unless we allow reasonable foreign competitive access to our market.

The year 1958 looms as a year that will have a significant bearing on the future role of the United States in world trade as well as the role foreign trade will play in shaping our own economic future.

Heinz E. Luedicke

It is easy to over-dramatize the significance of impending decisions in any economic field; to speak of showdowns, emergencies or crises where we see even the slightest threat to our complacency. We Americans are past masters in the use of the Big Phrase. But looking ahead to the important decisions on future world trade policies that will have to be made next year by Congress, the importance of 1958 for those whose livelihood depends on the movement of goods from one country to another can hardly be exaggerated.

I

Showdown on Trade Policy

In 1958, we actually will come closer to something like a showdown on foreign trade policy than we have in nearly a quarter of a century.

By a quirk of fate this showdown will come to a head at the very moment when commercial exports from the United States are finishing out two years of impressive gains.

American exporters never had it so good as in the past two years when their business soared, in considerable part, because of the international investment boom which created record demand for U. S. capital goods. Commercial exports—not including shipments of military hardware—in 1956 had jumped 20% over 1955. The prospective gain for 1957 is now estimated at another 10 to 12%. Even though the final four or five months of the current year will not match the gains made earlier in the year, total **commercial exports from the United States this year should cross the $19 billion mark**, thereby exceeding even early 1957 optimistic estimates of $18 billion or slightly higher.

It is difficult to belittle such an export volume even if it amounts to "only" a between 4 to 5% of our gross national product.

It might have been argued since 1956 that the exceptionally strong foreign demand for American producers' goods, notably equipment, has tended to **aggravate inflationary pressures** in this country at the very time when we were trying to check these tendencies. To my knowledge, nobody has used this argument in the current attacks against the role of foreign trade in our economy.

*An address by Dr. Luedicke before the Ninth Annual Virginia World Trade Conference, Roanoke, Va., Oct. 3, 1957.

Instead, these attacks have been centered on the fact that the **"price" for the export boom** has been a rise in imports and that some of these imports—though by no means all of them—have hurt or are hurting some domestic producers, or may do so soon.

While the United States currently **"enjoys"** (if that is the right word) a substantial excess of exports over imports—this year the gap will be in the neighborhood of $6 billion—it is now being argued correctly that the huge U. S. export surplus actually demonstrates what is "wrong" about our foreign trade structure today; not what is "right" about it. We cannot expect to push our exports much higher, or indeed even hold the present volume indefinitely, unless we make it easier for foreign countries to gain access to this market or by offsetting the trade surplus through foreign aid or still higher investments abroad.

It is the **fear of increased foreign competition** in the future—particularly if there should be a temporary business setback in this country—that is behind the current drive for import protection by a growing number of industries.

II

New Protectionist Front

This drive has gathered enough strength that it begins to look like a revival of the old-fashioned type of **protectionism** that is the economic twin of **isolationism.**

If an experienced student of economic trends, such as Senator Paul H. Douglas of Illinois finds it necessary to deal publicly with this new isolationism by expressing fears that it threatens to grow from a ripple into a tide—you certainly can no longer afford to view this trend with complacency.

All of us who are in constant or frequent **touch with business men in other countries** are aware that our friends abroad are seriously concerned over what looks to them as our changing attitude on world trade.

They have long been disappointed over our failure to speed up the trend toward freer trade; but **slow** as this progress was, at least we seemed to be moving in **the right direction.** All three of our Presidents since the mid-30's were committed to a policy of **fostering better foreign trade relations.** President Eisenhower still is.

I am sure that those interested in trade at some time or other, just like myself, have pleaded with friends abroad for patience with and understanding for the slow progress in the liberalization of our foreign trade policies. I, for one, have felt justified in repeating, time and again, that the United States—**in itself sort of a "common market"** with many regional differences and problems that still are creating occasional internal frictions—has been moving slowly, very slowly, but nevertheless **moving in the direction of freer trade.**

I sincerely hope that I will be able to continue this defense after next year's Congressional fight over the future of our foreign trade policy. It would be tragic—for the free world as well as for our own economy—if we were to give up political or economic leadership by default.

III

The Role of Congress

Just **how acute** is the danger that our foreign trade policy may be seriously upset next year and that such an upset would throw our world trade for a loss?

Congress has by no means discovered only recently that protectionists have votes. It has been busily pecking away over the years at the basis of our trade policy as it was firmly established by State Secretary Cordell Hull at the peak of his distinguished career.

The record shows such partial victories for the protectionists as the "peril point" provision, the escape clause and modification of the escape clause and the defense essentiality provision of the Trade Agreement Extension Act of 1955.

These provisions were **inserted** into the Trade Agreements program for **perfectly good reasons**—to insure that tariffs are not cut so low as to endanger an entire industry; to insure that industries and skills needed for defense are not jeopardized; to protect our agricultural policy goals.

If these provisions were sensibly drawn and sensibly administered, if they were truly treated as "exceptions"—as they are supposed to be—they could hardly be fought as threats to our foreign commerce.

The trouble is that these exceptions have become so numerous and so virulent that the **general rule itself is in danger of being negated.**

Congress has tightened the screws on the escape clause to the point that the Tariff Commission is almost compelled to bring in what is known in legal circles as **"directed verdict."** The nonsense of **"fractionalizing"** an industry on a product or area basis in order to make its appeal for help stronger has made considerable inroads. Industry is actually being encouraged to go **"shop around"** for various forms of relief: if the escape clause doesn't work, maybe the defense essentiality provision will. Or, a dumping investigation. And so, *ad absurdum.*

It has been a long road from the **soil pipe case** brought in under the Anti-Dumping Act to the recent bold proposal to circumvent the whole Trade Agreement Act mechanism by having Congress enact a special sliding scale protective tariff for **lead and zinc** — and the road has pointed in just one direction—the wrong one, back to a system of **Congressional log rolling** as of old.

Maybe you think, I am exaggerating. If so, just let me warn you that the protectionist element in Congress is now girding for an all-out blow against the Trade Agreement Act by proposing to take away the **President's review power** over Tariff Commission findings and to put it into the hand of Congress itself.

It wants to put such a provision into the Act before it is willing to buy its **extension beyond next June 30.** This would be a serious blow.

Nor is this all. Congress, next Spring, will be confronted with a second major piece of foreign trade legislation: approval of **U. S. participation in the Organization for Trade Cooperation** (OTC) which is the administrative arm of the General Agreement on Tariffs and Trade (GATT).

The furor created by the protectionists on the subject of GATT and OTC would be laughable, if it were not indicative of a frame of mind. Actually, GATT and OTC merely comprise **machinery** to make it easier for us to carry out negotiations permitted under the Trade Agreements Act and to settle, by discussion, any differences that may arise.

Thus, if Congress persistently refuses to go along with OTC, it merely is telling the Administration that it won't permit any short cuts in the conduct of the tariff policy and will make things as tough for the Administration as it can. That sounds like sheer pique.

However, I cannot agree with some suggestions that the Administration should tie the Trade Agreements Act and the OTC together in one package next year and tell Congress **to take it or leave it.** Unfortunate as it would be to see the OTC bill wither away, the Trade Agreements Act must come first. Despite the extent to which it has been half-paralyzed by escape hatches and the like, it remains the foundation of our trade policy. Any failure to extend it in a workable form, would literally stop our foreign trade policy in its tracks.

The fact that 1958 is an election year—and a non-presidential one at that—certainly won't make the drive for a sound trade policy any easier.

IV

Arguments in the Controversy

This describes—rather bluntly, I admit—your stake in the future of our foreign trade policy.

So much is at stake here for the future of our economy that I feel **"almost"** sure that, after a lot of wrangling, Congress will come through next summer with at least a reasonable facsimile of a workable Trade Agreements Act extension. But those whose livelihood depends on world trade, can hardly gamble on such an **"almost."**

In other words, you can't afford to keep still and watch, more or less fatalistically, the **gradual erosion of the once promising concept of our trade policy.** If you do, this annual Virginia World Trade Conference will soon lose its dynamic character and in time become a wake with nothing more to do than reminisce about the "good old days" when U. S. exports were crowding the $20 billion annual level.

You still think that I am exaggerating? Well of course I am; a little. But how can you hope to **arouse Congress and the American Public,** the constituents who can make or break our distinguished legislators — unless you first put on your gloves and show that your crusading spirit is still alive.

Don't make any mistake about this: you have a **real fight** on your hands, it will be a fight of the no-holds-barred variety. A number of associations have been set up lately to carry on this fight; call them debating societies, "misery loves company"—clubs, outright lobbying groups or whatever you like. Some examples are the "Americans for OTC" and the "Committee for a National Trade Policy" that were merged a few days ago.

If you think that it is sufficient to support such groups with dues and help them in setting up moderate budgets for public relations programs, you had better think again. The real task is to activate such groups into hard-hitting, devoted and inspired fighters for a sound concept of world trade.

All too often, we encounter a tendency to belittle exports because they amount to only a bit more than 4% of our gross national product. This is a dangerous fallacy. The **figures** are right; but the **conclusions** drawn from them, are wrong.

You cannot measure exports in terms of percentages of gross national product. Such an approach completely overlooks what the economists call the **"multiplying" factor in exports:** the way they help create new business, new jobs, new wealth, a higher standard of living—in our own country as well as in other parts of the world.

In your fight against the revival of protectionism, sound economics is on your side. And yet, your adversaries will walk away with the prize — which is control of Congress in matters of foreign trade policy — unless you can dramatize your point of view so effectively that the public will recognize when and where special interest groups are at work. Only then can you stop Congress from playing along, and giving in, to such special interest groups. As a matter of fact, I really believe that members of Congress, more often than not, fall for special interest pressures not because they want to do something special for such groups but rather **because they don't look through such pleadings** which usually are made ever so palatable.

Now, don't rush out after this meeting and hire a distinguished professor of economics to write a learned book about the economic advantages of foreign trade. To be sure, you do need such a book, too; but you cannot wait for it as the need is for fast action. You need tools that can help the public—and Congress—understand the role of foreign trade not only in terms of aggregates but in terms of jobs, consumer prices and standard of living changes.

The trouble is that it is so much easier to dramatize how a certain tariff action may adversely affect a specific industry and how many jobs may be threatened as a result than to dramatize the potential advantages of such an action in terms of the overall economy.

Once you succeed in doing that, you have it made. Until then, you'll find yourself constantly on the defensive which is a bad position to fight from.

If I did not have strong faith in our form of Government and the ability of Congress to distinguish between national and special group interests once the difference has been effectively demonstrated and intelligent bipartisan action becomes possible, my advice to you would be to get out of the world trade field with all possible speed and without waiting for the inescapable process of attrition of your businesses in case you permit an insufficiently informed Congress to make foreign trade policy.

Congress, in the end, despite all its fumbling will do all right by you—if you do right by it first in helping to bring about a better understanding of what the foreign trade issue is all about.

V

The Outlook

Unfortunately, even if the Administration and Congress next year get together on a reasonably satisfactory compromise on foreign trade policy, you will encounter growing difficulties in the conduct of your business.

The way it looks now, the year 1958 won't witness anything like the 1956 and 1957 gains in world trade and U. S. foreign trade.

Two of the reasons arguing against a repeat of the recent U. S. foreign trade gains are the fact that the farm surplus disposal program won't provide another boost. We probably will do well to equal the 1956-57 farm export totals. Moreover, the fillip provided by the Suez crisis is over, although who is to say whether a similar crisis won't arise elsewhere.

Important as they are, these are merely **"local"** issues, so to speak.

The **basic foreign trade problem** for 1958 lies in the progress or lack of progress that will be made in overcoming trade imbalances that have been developing in various parts of the world and that have led to a recurrence of serious foreign exchange difficulties in a number of countries,

both in Europe and in South America.

Europe actually holds the key to next year. While it is true that this time it has been getting into trouble because times were too good rather than desperately bad as in the early 30s, the end-effect will be almost as bad on world trade unless **current imbalances are corrected without a collapse of the present West European currency system** and before these potential difficulties can stop the West-European investment boom completely. The slowdown from its recent pace probably is not only inevitable but desirable in order to clear the air of inflationary pressures.

The September annual meeting of the International Monetary Fund in Washington made an encouraging contribution to the search for a constructive method to bridge the imbalances between Germany on the one hand and Great Britain, France and the Netherlands on the other.

If the West-European Common Market had been in existence today, its expected stabilizing influence might well have prevented or at least sharply lessened, the latest foreign exchange crisis and its possible repercussions on world trade everywhere.

The most important news from the recent Washington IMF meeting was the announcement that both England and West Germany will not resort to currency experiments in order to remove current imbalances. England will apply an even greater dose of austerity to stop the danger of inflation; West Germany will act like a good international creditor should, even at the risk of adding to its own inflationary danger by making money easier.

To be sure, we can't be certain that these policies will work but at least they represent a promising start; they may even ring in new era in the treatment of foreign trade and balance of payment inbalances between nations or groups of nations.

At any rate, British fears of a recurring dollar gap and what it may do to the pound sterling do not sound nearly as ominous as they did in the past.

Nevertheless, we must not lose sight of the fact that any longer-range expansion in world trade rests on the existence of sound balance of payment conditions among the world's major trading nations, as reflected in stable currency relationships among them.

Obviously, the relationship of **exports to imports** even for such an important country as the United States can never tell the whole story—although as far as the world trade outlook for 1958 is concerned, much will depend on whether business conditions in the United States will lead to an increase in imports into the U. S.

For the time being, it is difficult to visualize any sizable increase in U. S. imports over the current $13 billion annual level.

That's another reason for believing that both world trade and U. S. foreign trade next year will not repeat their brilliant 1956 and 1957 performances and that we may be headed into a period of consolidation that may virtually stop our own foreign trade expansion for a while.

Securities Salesman's Corner

By JOHN DUTTON

Put These in Your Idea File!

Every salesman must constantly make on the spur of the moment decisions as to the best way to approach a client, the proper offering, and the time to do it. After years of experience most mature securities men know their clients likes and dislikes, they know their idiosyncracies, and they adjust their timing, approach, and offerings automatically to suit the individual. That is the reason they keep accounts and continue to do business in good times and bad. They not only know what to offer but they instinctively refrain from rubbing their customers the wrong way.

While I am on this subject there are certain DON'TS that many a novice salesman has to learn the hard way. Suffice to say, many never learn and they are the loser for it. You can do business even if you are a boor, but will have to work twice as hard to do it. One of the mistakes some men continually make is that they overtalk and oversell. They hammer away at a prospect or client if they have something they wish to sell, and although in many cases they do business it is only because of their sheer persistence and aggressiveness. It is much better to sit back and place yourself in the other man's position; be alert to his personal wishes and cultivate a sense of timing, rather than bull your way through another man's reserve and conciousness.

Try Some of These

If you have a particular offering and you know that it fits the need of your prospect send him a short memo and attach a handwritten note. Make it casual, yet dignified, ask him to phone you if he has an interest. Many times the written word will save you time and will carry more effectiveness than if you made a personal call or a telephone call. Don't overdo this—it is a change of pace that can best be used if you have been making personal telephone calls to the client or prospect for some months, or after a lapse of business for a while.

* * *

If you have some out of town clients and you have a specific offering that is particularly attractive (especially if they have expressed even a latent interest some time before) send them a short letter, limit your offering, suggest that a reply by phone or wire would be indicated and send the letter air-mail special. Don't over-do this.

* * *

Don't be afraid to face up to paper losses. Suggest a conference to discuss market depreciation such as most common stock investors are now having to face up to. Many of these people have taken profits earlier in the year. Write them and tell them that you know that they won't wish to write an extra check next year to Uncle Sam for taxes on capital gains if they can avoid it. This is no joking matter and many people will be only too glad to get together with you if you can relieve them of some of the burden of decision making, tax selling, and save them paying out some more of their hard earned cash needlessly. Every year people go along wishfully thinking that they could have sold this or that at a profit and refuse to face facts.

Instead of foolishly paying taxes on profits and hanging on to their paper losses to their expense and their sorrow, they should sell—switch—and save some real dollars that they will surely throw down the tax drain if they don't get busy. Now is the time!

It you want to make some appointments with people who have been otherwise difficult to pin down but that you think actually would like to have a conference with you, try Friday for making the telephone calls. By using the last day of the business week to ask for appointments for time during the following week the resistance of the prospect is lowered by the psychological quirk that he unconciously thinks that next week is a long way off. In many cases he will agree to a Monday or Tuesday appointment made on Friday but might not do so if you called on a Monday. Sounds silly but it works.

* * *

No sales organization can ever function as a team and do a real good job unless the partners, and top management, as well as the sales manager, takes a sincere interest in the welfare of each man on the sales force. The sales force is the most vital part of every retail securities firm. Good buying, good statistics, and good public relations are all to no avail unless the sales organization is dynamic. Only leadership from the top can create such an atmosphere which leads to both collective and individual success.

Fusz-Schmelzle to be NYSE Member Firm

ST. LOUIS, Mo.—Albert M. Schmelzle will acquire a membership in the New York Stock Exchange and Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, will become an Exchange member firm. The company is a member of the Midwest Stock Exchange.

Officers are Mr. Schmelzle, President; Firmin D. Fusz, Jr., Executive Vice-President; Leslie V. W. Schrader, Shelton W. Mozley, Walter M. Fassel, Frank E. Jenger, Homery G. Bradney, Clarence B. Keehner, and Eschol R. Perry, Vice-Presidents; and David M. Bollinger, Secretary-Treasurer.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

While, generally speaking, fire-casualty insurance stock prices usually are more influenced by underwriting results and outlook than they are by developments in the investment end of the business, it is also true that portfolio developments can have a marked effect on surplus account. Several times during the bull market this space called attention to the sharp improvement in investment gains of a number of the large insurance companies.

Probably now it will be well to have a look at "Other Gains or Losses." This heading covers not only realized gains or losses on assets disposed of in a given period; it also includes the period's mark-up or mark-down of assets on the book. It is to be noted that none of the current sharp decline in general equity market values is reflected here, as the accompanying data run only to June 30, 1957, whereas the worst of the general market decline has taken place since the past July. Second half figures in this connection will not be available until about February or March, and will, of course, be incorporated in the annual reports for 1957. Just as 1954 and 1955 made outstanding showings in portfolio gains (and even 1956 showed up well) we expect the 1957 result to be pretty sick looking.

Presented are gain or loss data on a number of the actively traded fire-casualty stocks for the first six months of 1956, and for the like period of 1957, for comparison. It is to be noted that "Other Investment Gains or Losses" in no way include income from investments.

INVESTMENT GAINS OR LOSSES

	6/30/56	6/30/57
American Insurance	$2,331,000	—$6,828,000
General Re-Insurance	2,291,000	1,230,000
Hanover Insurance	672,000	—858,000
Home Insurance	10,689,000	—583,000
Seaboard Surety	356,000	167,000
Insurance Co. of North America	22,510,000	2,934,000
Maryland Casualty	1,208,000	—160,000
New Hampshire	1,146,000	828,000
Pacific Fire	472,000	—135,000
St. Paul Fire & Marine	4,101,000	1,446,000
United States Fidelity & Guaranty	3,049,000	487,000
Agricultural Insurance	282,000	—96,000
Continental Insurance	21,966,000	6,713,000
Fidelity Phenix	23,202,000	8,735,000
Glens Falls Insurance	1,970,000	658,000
Bankers & Shippers	343,000	5,000
Continental Casualty	12,657,000	2,722,000
Federal Insurance	3,370,000	1,027,000
Fidelity & Deposit	1,270,000	431,000
National Union	502,000	—1,021,000
Northern Insurance of New York	1,539,000	177,000
Providence Washington	—39,000	—99,000
Standard Accident	719,000	9,000

These data are for the parent company, except in the case of Home Insurance, whose figures are consolidated.

Obviously, the companies making the poorer showings by comparison with June 30, 1956, are those holding large blocks of equities. These companies had good going while the equity market was in the ascendency; they are really feeling the brunt of the present market slump now. While no attempt is made here to compare present conditions marketwise with 1929 and the immediately following years, it was due principally to the acute shrinkage in portfolio valuations that led to the use of convention values after the 1929 collapse, and in some cases to transfers from capital account to surplus account, because the latter had become so badly depleted by the fall in security prices.

The companies that are heavily committed to bond holdings (St. Paul Fire & Marine is a good example) did not, as a general rule, do as poorly, as the "equity" companies. Their bear markets in bonds were spread over a much longer period than that covered in this comparison. And some measure of protection is possible for the "bond" company, for new investment funds may be placed in short-term bonds in which the exposure is not so great as it is in equities.

There really is not much protection against bear markets possible for the insurance "equity" company. Their holdings are usually of substantial size, and large blocks just cannot easily be liquidated in a bear market.

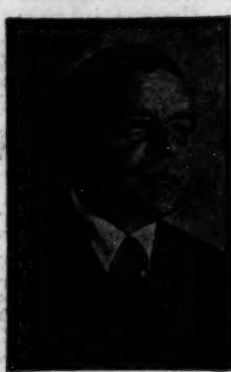
While this decline in portfolio valuations has been taking place, income from investments has been almost uniformly higher. Many companies continue to husband these funds while underwriting results are adverse.

Conflicting and Obscure Currents On the London Stock Exchange

By PAUL EINZIG

Complicating elements in the British economic outlook are described by Dr. Einzig who, also, refers to attention being paid to U. S. A. recessionary possibilities at a scale less moderate than previous postwar occasions. The British economic writer probes possible shift from equities to Government loans which, however, may be delayed by a possible rise in present Bank rate of 7% before it is substantially lowered.

LONDON, Eng. — Stockbrokers, financial writers, and others whose task is to advise investors are having a particularly difficult period just now. During recent years their job was comparatively simple. It appeared to be reasonably safe to advise their clients or readers to switch from Government loans to equities. Temporary fluctuations apart, the former showed a persistent declining trend, while the latter rose from strength to strength. The prophets proved almost invariably right as far as the general trend was concerned, and even if they were liable to make mistakes in their choice of individual investments, the difference between good and bad choice was usually merely a difference between the extent to which the equities they had recommended moved with the tide.


Dr. Paul Einzig

Recession Predicted Last Summer

During the summer of 1957 it was easy to forecast a decline for the autumn. Investment counsellors who advised their clients to realize everything could hardly fail to go wrong. It was quite obvious that the Stock Exchange was in for a sharp setback in the autumn. The situation was full of explosive elements. There was bound to be an attack on sterling, necessitating drastic defensive measures. There was a strong probability of an acute crisis in the Middle East. Major strikes or further major wage concessions appeared to be a mere question of time. The downward course of commodity prices foreshadowed trouble, and the possibility of a recession in the United States could not be ruled out. In such situation no investment could be regarded as being immune from a major depreciation.

Such a depreciation did materialize both in London and in Wall Street. Having reached this stage, the outlook has become incomparably more obscure and uncertain than before. It has become a most unenviable task to try to advise investors.

With the bank rate at 7%, the possibility of a gradual reduction cannot be ruled out. In fact the Governor of the Bank of England foreshadowed such a possibility. Should sterling continue to be firm, and should the flow of gold become reversed in consequence, it is difficult to see how the bank rate could be maintained at its present abnormal figure. And bank rate reductions are bound to be accompanied by a recovery of the gilt-edged market and, to a less extent, of the markets in equities.

Improved Sterling and Inflation

Admittedly, wage inflation continues unabated. But it may take several months before the major wage claims will reach a decisive stage. Meanwhile, there is a fair chance for a substantial strengthening of sterling and of the sterling area gold position. In the long run such an improvement is liable to be unfavorable from the point of view of checking inflation. While under the acute menace of a sterling crisis the Government felt impelled to turn tough, its attitude in face of the wage inflation has already weakened as a result of the improvement of sterling. And the trade unions are more likely to hold out for big increases if there is no imminent menace of a sterling crisis.

As if this situation were not sufficiently involved, the Syrian crisis has introduced an additional element of complication. So long as it continues, it overshadows every other influence on the Stock Exchange and on the foreign exchange market. It is beyond the competence of investment advisors and economic consultants to express an opinion about the course and duration of this political crisis.

Another complicating element is the continued weakness of the commodity markets. It has proceeded far enough to give rise to much concern about the possibility of serious economic repercussions. Resistance to inflation necessitates curtailment of production, which again reacts unfavorably on demand for raw materials. The purchasing power of raw material producing countries is liable to suffer considerable reduction, which again paves the way for a depression in industrial countries. While until recently equities of mining and other commodity producing firms were regarded as a safe hedge against inflation, today they are under a cloud.

Possible U. S. A. Recession

Nor is the London Stock Exchange very happy about dollar securities which were until recently a favorite hedge against devaluation. Today the devaluation risk has receded into the distant future, while the setback in Wall Street has become immediate reality. The possibility of a business recession in the United States is receiving more attention than it had received for some time past. And it is widely considered possible that this time it would be less moderate than on previous postwar occasions.

A large proportion of investors prefer to await developments before reinvesting the proceeds of recently realized stocks. In any case banks pay 5% interest on deposits, and this is a higher yield than was obtainable until recently on most good securities. When and if the situation will be considered to have become sufficiently consolidated, the chances are that investment demand will be directed towards Government loans rather than equities. The yield on Government loans is now abnormally high. There is now less confidence in equities than there has been for some years past. The possibility of fairly serious recessions, accompanied by dividend cuts and even by insolvencies or painful capital reconstructions is now longer ruled out. Those seeking safety are once more inclined to try to find it in gilt-edged securities. The bank rate cannot be maintained forever at 7%, so the argument runs, and sooner or later there is bound to be a recovery in Government loans.

On the other hand, it is by no means impossible that the bank rate will be raised to an even higher figure before it is substantially lowered. Mr. Thorneycroft intends to refuse to increase the fiduciary issue above its present figure. In given circumstances this may mean a sharp decline in the note reserve in the Bank of England's banking department, leading to an increase of market rates of interest to the close vicinity of the bank rate. This is liable to force up the bank rate to an even higher figure. With such a possibility in mind, many investors prefer to mark time before returning to the gilt-edged market.

C. F. Meyer V.-P. of FIF Management

DENVER, Colo.—The election of C. Frederic Meyer as a Vice-President of FIF Management Corp., 950 Broadway, has been announced by Charles F. Smith, President of the company.


C. Frederic Meyer

Mr. Meyer, who is relinquishing his position of Vice-President and Trust Officer of the International Trust Co. of Denver, will become director of investment research for FIF Management Corp., managers and national distributors of Financial Industrial Fund, Inc. He is a member of the Denver and Colorado Bar Associations, investment consultant to a Western insurance company, and a former American Banking Institute lecturer in economics and investments. Mr. Meyer holds degrees in economics, engineering and law.

The new FIF staff official has been associated with the Company during the past year as a member of, and investment consultant to, the Investment Committee of FIF Management Corporation.

To Speak at Council of Nat'l Inv. Clubs Assn.

CHICAGO, Ill. — William B. Cudahy, Vice-President of the American National Bank & Trust Company of Chicago, and Andrew G. Weeks, representative of Vance Sanders & Co., will speak at a meeting of the Chicago Council of the National Association of Investment Clubs on Wednesday evening, Oct. 30.

The conclave, to be held on the trading floor of the Midwest Stock Exchange, is sponsored by the Chicago Association of Stock Exchange Member Firms.

Mr. Cudahy, head of Investment research for American National, will analyze the rubber industry, while Weeks will discuss open-end and closed-end investment trusts.

Representatives of more than 500 Chicago area investment clubs are members of the Chicago Council, which ranks as the second-largest regional group in the National Association of Investment Clubs.

Chicago Analysts To Hear

CHICAGO, Ill.—G. L. MacGregor and Richard Bullwinkle of Texas Utilities Company will address the luncheon meeting of the Investment Analysts Society of Chicago to be held Oct. 24 in the Adams Room of the Midland Hotel.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market appears to be beset with short-range factors which will probably keep it on the uncertain and defensive side for an interim period of time. The need of those with Government contracts to finance themselves could change the whole trend of commercial loans. This might even bring about sales of Treasury obligations by the deposit banks in order to get money to be loaned to these Government contractors. Also, the sales of Government agency obligations in the market adds to the supply of securities that will have to be digested by the money market.

The new issues of corporate bonds being registered for sale is tending to show a minor decrease, although the immediate supply continues very ample. Tax free new offerings are still plentiful. All of this means that Treasury obligations continue to have real competition from non-Government offerings. Outright selling and switches are providing most of the action in the Government market. Equity money is still being put to work in short-term Government obligations.

Money Market Unsettlement to Continue

It is evident that a period of unsettlement is again facing the money market, largely due to conditions that appear to be mainly outside of the money market itself. The forces which are creating the uncertainty in the money market should not be of long duration but they are being felt at a time when the money market was beginning to give evidence that it was emerging from a long period of defensive action. The loan trend of commercial banks has been well below seasonal expectations and there were indications that the available supply of funds of these institutions would be enlarged. This meant that in the not too distant future some of this money would be finding its way into the short-term money market, for the purchase of Treasury bills or other selected near-term issues, so that the liquid position of the deposit banks would be improved. There is no question about the desire and need of these institutions to increase their holdings of the most liquid obligations.

Also, corporations in many cases would like to build up their liquid positions and this could bring about purchases of the near-term liquid Government securities. However, there will most likely be a postponement of such a development, especially with concerns that are doing Government work, because of the stretch-out in Government payments for this work.

Banks May Finance Defense Contractors

Because the companies that are doing Government work will have to finance this work themselves for a time at least, it is evident that new credit lines in many cases will have to be established with the commercial banks. In other instances, resort will be made to the capital market. Because of the need for such credit there will be no build-up in the liquid position of the commercial banking institutions at this time since the available funds will be used to make loans which will be used by corporations to finance Government orders. Also, there may be instances in which some of the deposit banks that will be making loans to finance this Government business will have to liquidate Treasury issues in order to get the money which will be loaned out.

This new development will keep the pressure on the money market, not only from the standpoint of a new demand for bank credit, but also there could be sales for Treasury bonds in order to get the funds to be used for these loans.

Other Depressing Factors

Also, the sale by Government agencies of their own securities in the open market, such as the Federal National Mortgage Association and others, will increase the available supply of obligations seeking a home. Since much of this will be of the short-term variety, the effects will be felt first in the near-term sector of the money market. However, there will most likely be some effect evident also in the more distant maturities because there could likewise be some sympathetic selling of the long-term Government obligations. In addition, dumping of corporate bonds not well distributed has adversely affected the whole bond market.

All of these recent developments, however, should be only of a temporary nature and should not last long. Nonetheless, in the interim period, uncertainty and caution will probably be in evidence in the money market.

No Change in Monetary Policy Indicated

The speeches made by President Hayes of the Federal Reserve Bank of New York and President Ryan of the Federal Reserve Bank of Chicago indicate that the heads of the two large Central Banks are not yet thoroughly convinced that the forces of inflation have been defeated yet, and the boom has come to an end. The wage-price spiral, one of the main causes of inflation, is still not out of the picture. These two statements appear to indicate no changes in monetary policy for awhile. The money market will most likely remain as it has been.

Del. Vy. Investors Hear

PHILADELPHIA, Pa. — H. Thomas Hallowell, Jr., President of Standard Pressed Steel Co. of Jenkintown, Pa., will address a dinner meeting of Delaware Valley Investors at the Philadelphia Cricket Club on Thursday, Oct. 24.

Delaware Valley Investors is an investment club organized about four years ago to pool the investment capital of its members. The membership roster of Delaware Valley Investors includes the various professions and arts, industry and commerce.

Weiss & Smith Formed

CLARKSDALE, Miss.—Weiss & Smith has been formed with offices at Delta Avenue to engage in a securities business. Partners are Joe Weiss and Chauncey G. Smith.

Three With Bennett Form

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward Dedicke, Ruth D. Howard and Dennis G. Merenbach have been added to the staff of Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard.

Public Utility Securities

By OWEN ELY

Dayton Power & Light Company

Dayton Power & Light serves a population of about 1,017,000 (an increase of about 38% since 1947) in some 276 communities in Ohio, of which Dayton is the largest. The territory comprises over 6,000 square miles, covering 24 adjacent counties. The area is represented by stable agricultural and diversified manufacturing operations. Important large users of power are manufacturers of household appliances, cash registers, air conditioners, rubber products (including tires), aircraft and automotive parts, farm equipment, machine tools and electric motors.

Electricity accounts for about 64% of revenues, natural gas 34%, and steam heating 2%. Residential sales provide 40% of 1956 electric revenues, industrial 24%, commercial 23%, government 9%, and miscellaneous 4%.

While it interchanges power with Cincinnati G. & E. and Ohio Edison, the company produces practically all its own steam generating requirements and at the end of last year had a capacity of 510,000 kw nameplate rating or 543,000 kw capability. This afforded a reserve of about 7% over peak load. Efficiency was relatively high with Btu production cost at 3.7 mills and an average of only about 10,500 btu required to generate 1 kw (compared with the U. S. average of 11,700).

While reserve capacity at the end of 1956 was a little on the low side, two new 130,000 kw units are being added at the Frank M. Tait Station, one this year and one in 1958, which will raise the nameplate capacity to 770,000 kw (nameplate). A site has also been selected for the erection of a new generating station with an eventual capacity of one million kw.

The company buys substantially all its natural gas from Ohio Fuel Gas, a subsidiary of Columbia Gas, under a long-term agreement extending to 1966. The gas business has shown rapid growth, due to gains in customer usage, construction of new homes which almost without exception use gas for space-heating and water-heating, and an extension of gas service to a number of new communities. Gas is also replacing other fuels in various manufacturing processes. Some 10,000 new gas customers were added last year, bringing the total to 176,000; this included 129,000 space-heating customers, nearly 50% more than in April 1954 when restrictions were lifted. A slight decline in gas revenues in the 12 months ended June 30, was probably due principally to unfavorable weather conditions.

Last year, it is estimated, the company earned about 5.4% on net investment in gas plant compared with about 7.5% on net electric plant. Most of the company's commercial, industrial and miscellaneous gas rate schedules contain escalator clauses to take care of higher gas costs. However, residential business which contributes 68% of gas revenues does not have this protection and it is necessary to obtain residential gas rate increases as rate ordinances expire in the various municipalities. Last year the company received an average of 69 cents per mcf from residential customers compared with 62.1 cents in 1952, while the average cost of gas purchased from Ohio Fuel Gas was 45.4 cents. The company last March applied for an increase in residential rates in Dayton and the adjacent area.

As of June 30, 1957, capitalization was approximately as follows, after making a pro forma adjustment for $25 million 30-year first mortgage bonds which the company proposes to sell in November:

	Millions	%
Bond	$107	50
Preferred stock	25	12
Com. stk. equity (2,963,000 shs.)	82	38
	$214	100

The company sold about 329,000 shares of common stock on a 1-for-8 basis in February this year.

The company has shown a good growth record. Revenues for 1956 showed a gain of 196% over 1945 compared with 135% for Cleveland Electric Illuminating and 122% for Ohio Edison. Net income in 1956 showed a gain of nearly 150% over 1946 while share earnings increased from $2.58 to $3.81, a gain of 48%. The number of shares of common stock outstanding had increased 72%, and including the 1-for-8 offering in early 1957, 94%. Part of the gain in share earnings was required to increase the common stock equity from 32% in 1946 (and 25% in 1948) to 43.5% currently or 38% after the bond issue later this year.

Share earnings during 1946-53 were somewhat irregular in a range of $2.56 to $2.97 but increased steadily during 1954-56 to $3.81. Earnings for the 12 months ending June 30, 1957 were $3.16 on the increased number of shares, compared with $3.70 in the corresponding previous period. Interest charged to construction approximated 11 cents a share vs. 5 cents a share in the earlier period. In the quarter ended June 30, the balance for common stock showed a decline of about 13% from last year. An important factor, doubtless, was a decline of 7% in the Dayton business index in the second quarter compared with the first quarter, and a 5% decline from the second quarter of 1956. Manufacturing employment was down 7% from last year, reflecting layoffs in the durable goods industry, a decline in residential construction, etc.

The stock has been selling recently around 41 (range this year about 49½-41). The yield based on the $2.40 dividend rate (payout 76%) is 5.6%. The price-earnings ratio is 13.

R. D. Arnett Opens

SEATTLE, Wash. — Robert D. Arnett is engaging in a securities business from offices at 112 West 189th Street.

Ross, Low Admit

On Nov. 1 John H. Van Kirk will become a limited partner in Ross, Low & Company, 120 Broadway, New York City, members of the New York Stock Exchange.

Investment Bankers Association of America To Hold 46th Annual Convention

Meeting to be held at Hollywood, Florida, Dec. 1-6. New slate of officers up for election.

W. C. Jackson, Jr.

Wm. M. Adams

J. Earle Jardine, Jr.

William D. Kerr

W. Carroll Mead

William H. Morton

The 1957 Annual Convention of the Association will be held at the Hollywood Beach Hotel, Hollywood, Fla., beginning on Sunday, Dec. 1, and ending on Friday, Dec. 6.

The program will follow the general pattern of recent years, with convention sessions on Monday and subsequent mornings which will be addressed by prominent speakers. In addition, there will be meetings of the Board of Governors and many of the national committees of the Association will hold meetings during the convention and will present their annual reports at that time.

Regular Ticket

The Board of Governors will submit to the convention the Regular Ticket for 1957-58, as follows:

For President

William C. Jackson, Jr., First Southwest Company, Dallas.

For Vice-Presidents

William M. Adams, Braun, Bosworth & Co., Detroit.

J. Earle Jardine, Jr., William R. Staats & Co., Los Angeles.

William D. Kerr, Bacon, Whipple & Co., Chicago.

W. Carroll Mead, Mead, Miller & Co., Baltimore.

William H. Morton, W. H. Morton & Co., Incorporated, New York.

Attendance at the Convention

The total number of persons (including wives) which any member organization may send to the convention will be limited as follows: Class A members, five persons; Class B members, four persons; Class C members, three persons; Class D members, two persons; Class E members, two persons; provided that Board Members, National Committee Chairmen, and Group Chairmen (both present and incoming in each case) and Past Presidents will be excluded from the limitations. The wives of such persons, however, must be counted within the organization's regular quota.

The above limitations are intended to apply to all persons in attendance at the convention, and note merely to those registered for the convention and having accommodations at the convention hotels. An exception will be made in cases where a member organization wishes to send its permitted number of persons for the first part of the convention and then replace some or all of them with an equal number of other persons for the last part. In such cases, the registration fees for the earlier persons will apply for the entire convention and no fees will be required for their replacements.

In addition, it should be noted that the Constitution and By-Laws of the Association provide that member organizations may send to the convention only persons occupying executive offices or positions (and, of course, their wives).

Convention Registration Fee

The registration fee for the convention will be $40 per person. It will apply to each man and woman registered for the convention with the exception noted above under "Attendance at the Convention," and with the exception of Past Presidents of the Association and their wives. Checks covering registration fees should be made payable to the Association and forwarded to its office in Washington with the form for convention registration and hotel reservations.

Hotel Arrangements

All reservations for rooms at the convention hotels should be made through the Association's office in Washington on the form for convention registration and hotel reservations. Confirmation of reservations will be made as promptly as possible, but due to the time required for processing them, there will necessarily be some delay in this connection.

Convention Transportation

New York Special Train—The route of the train in both directions will be Pennsylvania Railroad between New York and Washington, R. F. & P. Railroad between Washington and Richmond, and Seaboard Air Line Railroad between Richmond and Hollywood.

Pullman Reservations—Pullman reservations for the going trip should be made through the New York Transportation Committee, of which Robert H. B. Baldwin, Morgan Stanley & Co., 2 Wall Street, New York 5, N. Y., is Chairman.

Pullman reservations for the return trip of the special train should be made through David A. Kornhoff, Passenger Sales Representative, The Pennsylvania Railroad, 390 Seventh Avenue, New York 1, N. Y., at the earliest possible date in order that satisfactory arrangements may be completed. If this is not possible, or if plans change, they may be made through the railroad representatives who will be present at the Hollywood Beach Hotel during the convention.

Pittsburgh Reservations

A Pittsburgh special car is not expected to be operated this year, but Pittsburgh members wishing to travel to the convention by rail may make their reservations through A. Lowrie Applegate, Hulme, Applegate & Humphrey, Inc., Union Trust Building, Pittsburgh 19, Pa.

Chicago-St. Louis-Detroit Special Cars

Special cars from Chicago, St. Louis, and Detroit, which will join at Indianapolis and Cincinnati, will be operated provided there are sufficient reservations. The route of these cars will be New York Central System to Cincinnati, Southern Railway from Cincinnati to Jacksonville, and Florida East Coast Railway from Jacksonville to Hollywood.

Pullman Reservations

Chicago Special Cars—Reservations for the going trip should be made through George B. Wendt, The First National Bank of Chicago, Dearborn, Monroe & Clark Streets, Chicago 90, Ill.

St. Louis Special Cars—Reservations for the going trip should be made through Harry Theis, Albert Theis & Sons, Inc., 314 N. Fourth Street, St. Louis 2, Mo.

Detroit Special Car—Reservations for the going trip should be made through Ralph Fordon, Fordon, Aldinger & Co., Penobscot Building, Detroit 26, Mich.

Return Arrangements

Pullman reservations for the return trip should be made on regular trains prior to departure for Hollywood. If this is not possible, or if plans change, they may be made through the railroad representatives who will be present at the Hollywood Beach Hotel during the convention.

New Orleans Special Car

A special car or cars will leave New Orleans at 5:30 p.m. on Friday, Nov. 29, on the Louisville & Nashville "Gulf Wind," with arrival in Hollywood at 4 p.m. on Saturday, Nov. 30, on the Seaboard "Silver Meteor." For the return trip (if demand is sufficient), departure from Hollywood will be at 9:25 a.m. on Saturday, Dec. 7, on the Silver Meteor," with arrival in New Orleans at 7:10 a.m. on Sunday, Dec. 8, on the "Gulf Wind." Drawing rooms and compartments will be available. Reservation should be made through H. Wilson Arnold, Arnold & Crane, National Bank of Commerce Building, New Orleans 12, La. Space will be released to local agents.

Air Transportation

Special section flights, using the latest type Douglas "Golden Falcon" DC-7B equipment, have been arranged between New York and Miami via Eastern Air Lines. In addition, space has been reserved on National Airlines.

Reservations for the flights should be made through Harold H. Sherburne, Bacon, Whipple & Co., 1 Wall Street, New York 5, New York.

Henry A. Colgate

Henry Auchincloss Colgate passed away Oct. 16 at the age of 67 following a brief illness. Mr. Colgate was a partner in Wood, Struthers & Co. of New York.

Nathan G. Tobey Opens

DALLAS, Tex. — Nathan G. Tobey has opened offices at 6530 Lupton Drive to engage in a securities business.

Massachusetts Life Fund reported total net assets of $33,524,951 for the quarter ended Sept. 30, 1957, down from $34,861,565 at June 30, 1957. At the year-end, total net assets amounted to $31,535,247. Net asset value per share was equal to $17.89 per share as compared to $19.26 at June 30, 1957. The fund increased its holdings of bonds to 26.7% of portfolio as of Sept. 30, 1957, from 23.57% at June 30, 1957. Common stocks were trimmed to 61.68% from 63.81%.

Mutual Funds

By ROBERT R. RICH

Fund Holders Continue to Grow

Individual ownership of investment company shares continued to grow steadily during the third quarter of 1957 as the number of shareholder accounts in force increased by more than 93,000 during the period, the National Association of Investment Companies reported Oct. 23.

Total shareholder accounts reached 3,169,812 as of Sept. 30, 1957, the Association reported. A year ago the figure was 2,592,440 and, as of June 30, 1957, it was 3,076,472.

Total net assets of the 162 investment company members of the Association, both open-end (mutual funds) and closed-end companies, at the close of the third quarter were $10,280,457,000. This compares with $11,107,559,000 as of June 30, 1957 and $9,732,167,000 at the close of the third quarter of 1956.

Payment of investment income dividends to shareholders of both open-end and closed-end companies totaled $87,840,000 for the third quarter compared with $85,126,000 for the second quarter of 1957 and $78,818,000 for the third quarter a year ago.

Distributions to shareholders from realized capital gains during the quarter amounted to $22,346,000. This compares with $27,868,000 for the second quarter of 1957 and $40,335,000 for the 1956 third quarter.

Reflecting the recent general decline in security price levels, total net assets of the 136 open-end investment company (mutual fund) members of the N. A. I. C. declined to $9,000,662,000 as of Sept. 30, 1957. Assets had reached $9,687,015,000 on June 30, 1957 and were $8,505,960,000 on Sept. 30, 1956 when there were 125 open-end member companies.

Purchases by investors of open-end investment company shares in the third quarter exceeded $300 million for the seventh consecutive quarter, the Association reported. For the third quarter, investor purchases of shares totaled $357,580,000 of which $100,265,000 was purchased in September. The total purchases for the second quarter of 1957 were $334,004,000 and, for the third quarter a year ago, purchases were $334,507,000.

Investors opened 59,590 accumulation plans for the continuing purchase of open-end investment company shares on a regular monthly or quarterly basis during the quarter, according to the Association. 19,586 of these were started in September. As of Sept. 30, 1957, 593,462 accumulation plans with an estimated value of $833,000,000 were in force. This compares with 551,861 plans in force with an estimated value of $796,000,000 at mid-year 1957 and 422,752 plans, estimated to be valued at $670,000,000, on Sept. 30, 1956.

Repurchases of shares (redemptions) declined in September to $27,120,000, their lowest monthly level since October 1954, when the Association started collecting monthly data. Redemptions totaled $97,146,000 for the third quarter, compared with $110,564,000 for the second quarter of 1957 and $106,910,000 for the third quarter a year ago.

Purchases of portfolio securities for the quarter by open-end companies amounted to $596,018,000. The total for the second quarter of 1957 was $576,972,000. Sales of securities from portfolio totaled $327,477,000 between July 1 and Sept. 30 of this year.

Payment of investment income dividends to open-end company shareholders totaled $78,194,000 for the quarter and distributions from realized capital gains were $21,140,000. Dividend payments for the second quarter of 1957 totaled $75,861,000. For the third quarter a year ago they totaled $72,686,000. Capital gains distribution for the second quarter of 1957 amounted to $22,842,000 and, for the third quarter a year ago, were $31,882,000.

Holdings of cash, U. S. Government Bonds and short-term corporate obligations by the open-end companies at the end of the third quarter amounted to $529,069,000 down from $544,246,000 at the end of the previous quarter and $504,932,000 at the close of the third quarter in 1956.

Total net assets of the closed-end member companies of the Association as of Sept. 30, 1957 were $1,279,795,000. Three months previous they were $1,420,544,000 and, as of Sept. 30, 1956, they were $1,226,207,000.

Holders of common stock of closed-end investment companies received dividends from investment income totaling 8,851,000 and payments from realized capital gains amounting to $1,206,000 for the quarter. This compares with income payments amounting to $5,293,000 and capital gains distribution totaling $8,453,000 for the third-quarter period of 1956.

Hare's New Plan

Shareholders of the five Institutional Funds are now permitted to transfer their holdings from one Institutional Fund to another without payment of any adidtional acquisition charge. Only a $5 fee is charged, regardless of the size of the account.

This new service to investors has just been made effective, according to an announcement by H. L. Jamieson, President of Hare's Ltd., sponsors of the Institutional funds, which includes Institutional Bank Fund, Institutional Foundation Fund, Institutional Growth Fund, Institutional Income Fund and Institutional Insurance Fund. The transfer privilege will be available to shareholders in each of these Funds.

Bond Group to Support Fund Bills

Creation of the National Committee for Municipal Bonds, Inc., consisting of sixteen prominent officials of state and local governments and professional organizations, was announced today. The purpose of the committee is to aid state and local governments in their future financing, particularly to combat high and increasing costs of municipal borrowings by attracting institutional investors, and thus broaden the market.

The chairman of the new committee is Albert H. Monacelli, partner of the law firm of Dunnington, Bartholow and Miller, 161 East 42nd Street, New York. Members include New York State Education Commissioner, James E. Allen, Jr.; Sam M. Lambert, Director of Research, National Education Association; Carl H. Chatters, Comptroller, City of Chicago; Jeff B. Bates, State Treasurer of South Carolina; and Mayor Raymond R. Tucker of St. Louis, Mo.

"State and local bond issues will triple in the next ten years, according to the best reliable forecasts," explained Mr. Monacelli, in making the announcement. "This large increase in new bonds will be required to finance the vast public improvements programs which are necessary to cut down existing backlogs and meet the needs of a growing population and expanding economy.

"Savings throughout the United States are accruing in institutions that are not interested in state and local bonds because tax-exempt interest is not of much value to them under existing law," Mr. Monacelli added.

The committee chairman announced that its program to broaden the municipal bond market will include support of a bill (H. R. 8702) introduced in Congress last July by Rep. Curtis of Missouri.

"H. R. 8702 is designed to attract the funds of all investment companies, large or small, which derive 90% of their gross income from dividends, interest and gains on the sale of stocks and bonds," Mr. Monacelli explained.

"It would preserve the tax-free status of the interest on municipal bonds as it passes through the investment company to the shareholder."

Other members of the new committee are Thomas D. Bailey, State Superintendent of Public Education, Tallahassee, Fla; Cecil R. Cummings, First of Michigan Corporation, Detroit; Robert E. Develle, Director of Finance, City of New Orleans; Judge Charles H. Hayes of Deadwood, S. D.; Bernard F. Hillenbrand, Executive Director, National Association of County Officials, Washington, D. C.; J. W. Latham, former State Comptroller, now Vice-President, Deposit Guaranty Bank & Trust Company of Jackson, Miss.; Tommie Penry, Commissioner of Rusk County, Texas and Director of the National Association of County Officials; Harry D. Ross, City Controller of San Francisco; E. Simenson, Mayor of Wenatchee, Wash., and President of the Association of Washington Cities; and G. G. Tegnell, Director of Research, New York Chamber of Commerce.

Mr. Monacelli made public the following statement on behalf of the committee:

"The committee feels that the time has come for Congress to help local governments by removing the barrier which now seals off billions of investable funds. The broader the market for these bonds the more the advantage of the tax exemption shifts to the local issuers where it belongs and away from the investor.

"It is the committee's position that the removal of this barrier is the most inexpensive assistance the Federal Government can render to local governments which are finding it difficult to finance badly needed capital improvements.

"The pass-through will cost the Federal Treasury very little. The bonds will come out in any event and they will be tax-free to whoever purchases them. The sound and efficient objective is to attract more competition among investors and thus utilize to the maximum the benefits of the tax exemption.

Fundamental Holders Rise 1,100 Monthly

Fundamental Investors, Inc., the nation's second largest common stock mutual fund, reports total net assets of $365,861,927 at Sept. 30, end of the third quarter. This compares with $357,318,554 on the same date last year and $406,555,415 on June 30, 1957.

Shareholders totaled 89,548 at Sept. 30, a new record for the fund, which reported a figure of 78,882 for the same date a year ago. Since June 30, 1957 shareholders have increased at the rate of 1,100 per month. Shares outstanding reached 24,525,515 at Sept. 30, another new high.

Net asset value per share, at Sept. 30, was $14.92. On the same date a year ago, the figure was $16.17. Between the two dates, a security profits distribution of 62c per share was paid to shareholders of record Dec. 31, 1956. On June 30 1957 net asset value per share was $16.91. Dividends from net investment income for the first three quarters of 1957 totaled 37½c per share, compared with 36c during the corresponding period in 1956, and 35½c paid in the same period in 1955.

In commenting on the economic outlook, the fund's report for the quarter ended Sept. 30 states: "To say there were no clouds on the business horizon would be to ignore hard facts. Business plans indicate that capital expenditures are leveling off and there is growing evidence of excess capacity in some industries. The scheduled reduction in defense expenditures affects many segments of business. But the facts, in management's opinion, do not justify pessimism about the years ahead. Without doubt, the recent trend in stock prices reflects the fact that many short-term speculators in individual common stocks have grown cautious about the near term outlook.

"Such times," the report continues, "usually offer excellent opportunities for mutual funds

and other long-term investors to purchase selected common stocks at relatively advantageous prices."

During the three months ended Sept. 30, Fundamental's holdings in the aircraft and rail industries were further reduced. These included substantial sales of shares of Atchison, Topeka & Santa Fe Ry. and Illinois Central RR. Co. and elimination of Boeing Airplane Co. Holdings of Minneapolis-Honeywell Regulator Co. were also reduced.

New commitments were made in previous holdings of rubber, paper and container stocks, including Firestone Tire & Rubber, Goodyear Tire & Rubber, Container Corp. of America, Crown Zellerbach Corp., Rayonier, Inc. and Union Bag-Camp Paper Corp. Other substantial additions were made to portfolio holdings in shares of Avon Products, Florida Power Corp., International Business Machines and Grand Union Company.

1958 Spur Seen In Retail Trade

Business prospects for 1958 are "considerably enhanced" by the recent sharp recovery in retail spending, according to an economic report mailed yesterday to over 16,000 shareholders of Managed Funds, Inc.

Prepared by Slayton Associates, investment counselors to the $52 million mutual fund group, the report called business spending for new plant and equipment during the last two years "one of the strongest forces in our economy," but added that until last April consumer spending had been "relatively sluggish."

"Since that time, however," it continued, "sales have risen steadily and are now running about 7% above a year ago. Because retail trade is volume-wise the most important component of Gross National Product, an increase here could easily offset the prospective decline in defense spending. And, if capital goods expenditures remain high, it could make 1958 a very good business year indeed."

The April and July rises in retail sales, Slayton Associates said, amount to an annual rate of over $7 billion, and there are many indications that sales will continue to grow by about $4 billion in the next nine months.

Led by the automobile, apparel and home goods industries, retail sales should reach an annual rate of nearly $94 billion by the second quarter of 1958, they said.

"The probability of a rise in retail sales is further supported by climbing personal incomes," the Slayton report went on. "In August personal incomes reached a new high annual rate of $347.3 billion, $13 billion above August 1956 and $1.1 billion higher than the July 1957 rate.

"And home building, too, has finally turned upward with a rise in FHA mortgage applications indicating a further increase soon."

These current and projected gains are regarded by Slayton Associates as a "strong case" for continued faith in common stock investing.

They called the current market drop another in a series of "reactions" which have occurred periodically since President Eisenhower's heart attack two years ago, and dismissed short-term market forecasts as "usually futile."

"These attempted forecasts are often the result of hasty appraisal of day-to-day developments rather than sober evaluation of long-term factors," the report concluded. "To the astute investor such recurring periods of market weakness represent opportunities for accumulation of stocks for long-term investment."

Wealthy Investors Seen Buying Mutual Funds

An increasing number of wealthy investors are buying mutual funds, because of certain features making them a logical investment medium especially in anticipating the problems often faced by heirs and trustees of estates, according to Calvin Bullock, Ltd., managers of mutual funds with assets in excess of $400,000,000.

In anticipation of estate taxes, wealthy investors frequently set aside a portion of their assets in highly liquid form, especially in cases where other assets are invested in a business which is not easy to sell or might have to be sold at a sacrifice.

By putting a part of his property in a conservative mutual fund, it was pointed out, the investor will receive income while he is alive and yet be able to leave in his estate a highly liquid asset which may be disposed of, in whole or in part, after his death to meet taxes and other liabilities of the estate.

Thus, where a high degree of liquidity is needed for a portion of assets, it was said, mutual funds may be useful because of their consistent record of ready marketability at their net asset value. In addition, years may elapse before the estate is settled, and the ownership of mutual funds provides expert management of the assets so invested during this period.

The use of mutual funds, Bullock pointed out, also offers economies in the administration of the estate, simplifies the accounting and greatly relieves the trustees of many details necessary in handling a long list of holdings.

Delaware Fund Says Market In War Scare

Delaware Fund Chairman D. Moreau Barringer believes the market has been in a war scare.

The recovery underway two weeks ago, he writes in his latest semi-monthly "Directors' Letter," was rudely interrupted by Russian scientists. On the heels of the satellite, he observes, came not only its spent rocket, but renewed alarms and excursions in the Middle East. Mr. Barringer feels the connection is much more than coincidental.

The Delaware executive points out that while each war scare is different in detail and the depth to which each may drive prices is not accurately predictable, they have in recent years had one thing in common: the market recovers swiftly from their effects. Continued peace, or continued cold war, he reminds his board, is a bullish force on prices; a degeneration into shooting war, profoundly inflationary.

Mr. Barringer calls oil stocks one of the most obvious refuges from the effects of inflation and reports Delaware Fund "moderately well off in these. Leaving out the effects of the Syrian situation, the oil price structure at home is none too solid," he observes, but notes "that very instability probably carries the seed of its own correction — a quota system on imports, or a tariff. The weakness of the outlook," Mr. Barringer concludes, "has probably been adequately reflected in the stock price decline which has brought the major domestic oils down to less than 10 times their current earnings and made them comparatively attractive for new purchases on any substantial good news."

Pennroad Income Up in 9 Months

The Pennroad Corporation, a closed-end investment company, had net income from investments, of $2,172,245 for the nine months ended Sept. 30, 1957, equal to 44 cents per share, Edward A. Merkle, President, announced Oct. 23 in the report to stockholders. In the first nine months of 1956, net income from investments amounted to $1,949,480 and was equal to 39 cents a share.

"This improvement is due in part to a sharp reduction in operating expense," Mr. Merkle told shareholders.

At Sept. 30, 1957, Pennroad's net assets aggregated $92,793,955, equal to $18.56 per share. By adding back the special "capital gain dividend" of 43 cents per share paid on March 18, this year, the total value per share is equal to $19.04, compared with $19.50 per share as of Sept. 30, 1956, he noted. Net assets at the beginning of 1957 amounted to $101,058,097, equal to $20.21 a share.

In his message to shareholders, Mr. Merkle pointed out that "securities markets during 1957 have been going through a period of readjustment. While stock market averages do not always reflect the experience of individual investors, they do provide a clue as to the general trend of market prices. Thus, it is significant that the asset value per share of the corporation (after adjustment for the capital gain dividend of March 18, 1957) decreased only 5.8% in the first nine months, while a recognized stock market average declined 9.1%."

In the July 1 through Sept. 30, 1957 period, important net changes in the Pennroad portfolio included the sale of the corporation's final 10,000 shares of Arizona Public Service Co. stock; the disposal of 20,000 shares of Central Illinois Public Service Co. stock to reduce such holdings to none; sold its last 14,000 shares of Safeway Stores, Inc. stock; eliminated its holdings of Trans-Canada Pipe Lines Ltd. units by selling 3,000; sold 18,100 shares of West Penn Electric Co. stock to close out its investment in that equity and divested itself of all of its Georgia-Pacific Corp. 4½% debentures, due July 1, 1971 with the sale of $500,000 of these debentures.

Increases in the corporation's holdings in the July 1-Sept. 30, 1957 quarter include Allegheny Ludlum Steel Corp., 4,500 shares to 10,000 shares; American Can Co., purchased 20,000 shares; American Cyanamid Co. (including stock dividend), 8,000 shares to 13,000; American Machine & Metals, Inc., purchased 12,000 shares; American Natural Gas Co., purchased 5,200 shares; American Viscose Corp., acquired 10,000 shares; Ranco Inc., 9,700 shares to 11,300; National Life & Accident Ins. Co. of Nashville, 5,000 shares to 15,000; First National City Bank of New York, purchased 10,000 shares, and Falconbridge Nickel Mines Ltd., 5,000 shares to 20,000. Other important acquisitions were 10,000 shares of Worthington Corp. and 17,786 shares of Tampa Electric Co.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Lawrence D. Mitchell has joined the staff of Reynolds & Co., 919 Tenth Street.

Henry Swift Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James M. Yoder has been added to the staff of Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange.

Johnston Mutual Fund Inc. reports net assets on Sept. 30, 1957 of $5,801,595.11, equivalent to $19.73 per share on 294,066 shares outstanding, not including capital gains which were paid out Dec. 21, 1956 in the amount of 50c per share. This compares with net assets of $5,395,811.77, or $21.03 per share, on Sept. 30, 1956 on 256,624 shares outstanding.

In anticipation of the present period of readjustment, the fund, over the past 15 months, reduced the proportion invested in common stocks from 74% on June 30, 1956 to 56% on Sept. 30, 1957. Reserves have been built to the highest level since the recession of 1953, including a substantial reserve of short-term bonds for common stock purchases when they again become attractive.

The managers of the fund have felt the current period of readjustment was necessary in order to correct the inflationary forces which have been generated by the prolonged boom, and believe the process of readjustment will continue well into 1958. Looking further ahead, however, they find every reason to expect another period of business expansion once the current readjustment has run its course.

On Sept. 30, 1957, 54% of outstanding shares were owned by shareholders participating in the Fund's Accumulation Plan. This group constituted 63% of total shareholders, indicating the use of this Plan by investors of modest means to build their investments for future retirement, education of children, or other special purposes. The fund has also been pleased to note during the past year the increasing use of the fund by military personnel stationed all over the world and by parents and grandparents wishing to make gifts to minor children.

Connecticut Brevities

The Travelers Insurance Company is planning to begin construction on Nov. 1 of a 16-story office building in the heart of downtown Boston. The site was purchased in the spring of this year at auction for a price of $475,000. The new building is expected to cost about $7 million and will include a total floor area of about 295,000 square feet. Travelers will occupy about four floors and will lease the remaining 12 floors. The company now employs about 468 persons in its Boston office and some 700 contract agents work through the office in the eastern Massachusetts area.

* * *

The Electric Boat Division of **General Dynamics Corporation** expects to start soon on construction of another atomic-powered submarine. The nuclear power plant will be constructed at the new Winsor, Connecticut plant of Combustion Engineering Corporation. A land-based prototype is presently under construction at Windsor.

* * *

The Barden Corporation has started work on a new plant in Danbury, to be constructed on a 26-acre site and to be used as the company's main plant for production of precision instrument ball bearings. The new plant will contain 125,000 square feet of floor space and is scheduled for completion by next June. The present East Franklin Street plant in Danbury will be offered for sale, but the Beaver Brook district plant and research laboratory will be retained. The entire new plant will be temperature controlled. Barden is the largest employer in Danbury, with a total payroll of about 1,100 persons.

* * *

The Pratt & Whitney Aircraft Division of **United Aircraft Corporation** has begun construction of an addition to the Wilgoos Turbine Laboratory at East Hartford. The proposed addition will cost an estimated $1.3 million. The laboratory was originally completed in 1950 at an estimated cost of about $12 million and various additions have been completed since that time.

A new bank, **The First-New Haven National Bank,** has been formed as a result of the merger of two New Haven banks, **First National Bank and Trust Company** and **New Haven Bank N.B.A.** The new institution will have nine branch offices and total assets of about $160 million. Stockholders of New Haven Bank received 3¼ shares of new stock and stockholders of First National Bank one share of new stock for each share owned.

* * *

The Southern New England Telephone Company has mailed rights to its stockholders entitling holders of record Oct. 7, 1957 to purchase one additional share of stock at $25, its par value, for each four shares owned. The rights, which will expire on Nov. 7, will produce about $33.8 million of gross proceeds. It is expected that American Telephone and Telegraph Company, which owns about 21.6% of the presently outstanding Common Stock, will subscribe for its proportionate share of the new stock. The proceeds will be used to pay a portion of the short term loans which were outstanding on July 31 in the amount of $47.4 million. The company expects to spend a total of about $52 million on new plant additions during the year 1957, of which $29.4 was expended in the first seven months.

* * *

A merger of **G. E. Prentice Manufacturing** with and into **Rowland Products, Inc.** took place on Oct. 1, after approval by the stockholders of both companies on Sept. 16. Prentice will be operated as a subsidiary. The merger was effected by the exchange of one share of Rowland for each two shares of Prentice.

* * *

The Hartford National Bank and Trust Company will open a branch in Farmington in the spring of 1958. The new branch, which will be the company's nineteenth in addition to the main office, will be located in a new colonial style building near the heart of the town. It will be a part of a new commercial development and will include a drive-in teller window and safe deposit facilities.

Bank of America N. T. & S. A.
Bankers Trust Company
The First National City Bank of New York
The Chase Manhattan Bank
The First National Bank of Chicago
Halsey, Stuart & Co. Inc.
Blyth & Co., Inc.
The First Boston Corporation

Harriman Ripley & Co. Incorporated
Harris Trust and Savings Bank
Smith, Barney & Co.
Lehman Brothers
American Trust Company San Francisco
Security-First National Bank of Los Angeles
California Bank Los Angeles
Drexel & Co.
Glore, Forgan & Co.

Chemical Corn Exchange Bank
C. J. Devine & Co.
Continental Illinois National Bank and Trust Company of Chicago
The Northern Trust Company
R. H. Moulton & Company
Goldman, Sachs & Co.
Kidder, Peabody & Co.

Eastman Dillon, Union Securities & Co.
Bear, Stearns & Co.
Merrill Lynch, Pierce, Fenner & Beane
Blair & Co. Incorporated
Weeden & Co. Incorporated
The First National Bank of Boston
The First National Bank of Portland, Oregon
The Philadelphia National Bank

Seattle-First National Bank
Equitable Securities Corporation
Stone & Webster Securities Corporation
Dean Witter & Co.
Phelps, Fenn & Co.
White, Weld & Co.
Salomon Bros. & Hutzler

R. W. Pressprich & Co.
Paine, Webber, Jackson & Curtis
Mercantile Trust Company
Shields & Company
Reynolds & Co.
Crocker-Anglo National Bank
J. Barth & Co.
Ladenburg, Thalmann & Co.

American Securities Corporation
Alex. Brown & Sons
Clark, Dodge & Co.
Dick & Merle-Smith
Dominick & Dominick
Fidelity Union Trust Company Newark
First of Michigan Corporation
First Western Bank and Trust Company
Hallgarten & Co.

Hayden, Stone & Co.
Hemphill, Noyes & Co.
Hornblower & Weeks
Laidlaw & Co.
Lee Higginson Corporation
Carl M. Loeb, Rhoades & Co.
F. S. Moseley & Co.
National State Bank Newark
John Nuveen & Co. (Incorporated)

L. F. Rothschild & Co.
Schoellkopf, Hutton & Pomeroy, Inc.
William R. Staats & Co.
Stroud & Company Incorporated
Andrews & Wells, Inc.
Bache & Co.
Baxter & Company
A. G. Becker & Co. Incorporated
J. C. Bradford & Co.

Branch Banking & Trust Company
Braun, Bosworth & Co. Incorporated
Coffin & Burr Incorporated
Francis I. duPont & Co.
Estabrook & Co.
E. F. Hutton & Company
W. E. Hutton & Co.
Kean, Taylor & Co.
The Marine Trust Company of Western New York

Laurence M. Marks & Co.
W. H. Morton & Co. Incorporated
Roosevelt & Cross Incorporated
Shearson, Hammill & Co.
Tucker, Anthony & R. L. Day
B. J. Van Ingen & Co. Inc.
Bacon, Stevenson & Co.
Bacon, Whipple & Co.
Barr Brothers & Co.

City National Bank & Trust Co. Kansas City, Mo.
Commerce Trust Company Kansas City, Mo.
R. S. Dickson & Company Incorporated
Eldredge & Co. Incorporated
Fitzpatrick, Sullivan & Co.
Geo. B. Gibbons & Company Incorporated
Gregory & Sons
Ira Haupt & Co.
Hirsch & Co.

The Illinois Company Incorporated
A. M. Kidder & Co., Inc.
Wm. E. Pollock & Co., Inc.
F. S. Smithers & Co.
Spencer Trask & Co.
Trust Company of Georgia
Wachovia Bank and Trust Company
G. H. Walker & Co.

Robert W. Baird & Co. Incorporated
Baker, Watts & Co.
Barret, Fitch, North & Co.
William Blair & Company
Bramhall, Falion & Co., Inc.
Dempsey-Tegeler & Co.
First Southwest Company
King, Quirk & Co. Incorporated

Mercantile-Safe Deposit and Trust Company
National Bank of Commerce of Seattle
Newhard, Cook & Co.
New York Hanseatic Corporation
The Ohio Company
Schwabacher & Co.
Stern Brothers & Co.
Stone & Youngberg

J. S. Strauss & Co.
Taylor and Company
Tripp & Co., Inc.
Van Alstyne, Noel & Co.
Chas. E. Weigold & Co. Incorporated
Robert Winthrop & Co.
Wood, Struthers & Co.
A. G. Edwards & Sons
Glickenhaus & Lembo
G. C. Haas & Co.

Hannahs, Ballin & Lee
Lawson, Levy, Williams & Stern
Irving Lundborg & Co.
Model, Roland & Stone
Moore, Leonard & Lynch
Rand & Co.
Rauscher, Pierce & Co., Inc.
Republic National Bank of Dallas
Shuman, Agnew & Co.

Stern, Lauer & Co.
Third National Bank in Nashville
R. D. White & Company
Wood, Gundy & Co., Inc.
H. E. Work & Co.
Auchincloss, Parker & Redpath
C. F. Childs and Company Incorporated
City National Bank & Trust Company of Chicago

Julien Collins & Company
Courts & Co.
Cruttenden, Podesta & Co.
Shelby Cullom Davis & Co.
Elkins, Morris, Stokes & Co.
Fahey, Clark & Co.
Dittmar & Company, Inc.
The First National Bank of Memphis
Freeman & Company

Hayden, Miller & Co.
Kenower, MacArthur & Co.
McDonald & Company
The National City Bank of Cleveland
Raffensperger, Hughes & Co. Incorporated
Reinholdt & Gardner
Rippel & Co.
Ryan, Sutherland & Co.
Stephens, Inc.

Atkinson and Company
Blunt Ellis & Simmons
A. Webster Dougherty & Co.
Federation Bank and Trust Co.
Field, Richards & Co.
Fulton Reid & Co., Inc.
Ginther & Company
Granbery, Marache & Co.

Hill Richards & Co.
J. A. Hogle & Co.
McCormick & Co.
McDonald-Moore & Co.
Mullaney, Wells & Company
W. H. Newbold's Son & Co.
D. A. Pincus & Co.
Singer, Deane & Scribner
Stubbs, Smith & Lombardo, Inc.

Talmage & Co.
Thomas & Company
Chas. N. Tripp Company
Anderson & Strudwick
Allan Blair & Company
Brush, Slocumb & Co., Inc.
Cunningham, Schmertz & Co., Inc.
Ernst & Co.
Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.

Garrett-Bromfield & Co.
Robert Garrett & Sons
Goodbody & Co.
Hooker & Fay
Kalman & Company, Inc.
A. E. Masten & Company
McDonnell & Co.
Wm. J. Mericka & Co., Inc.
The Milwaukee Company
J. A. Overton & Co.

Park, Ryan, Inc.
The Peoples National Bank Charlottesville, Va.
Pierce, Carrison, Wulbern, Inc.
Piper, Jaffray & Hopwood
The Robinson-Humphrey Company, Inc.
Rockland-Atlas National Bank of Boston
Schaffer, Necker & Co.
Seasongood & Mayer

Shaughnessy & Company, Inc.
Herbert J. Sims & Co., Inc.
John Small & Co., Inc.
Soden Investment Company
Stein Bros. & Boyce
Stix & Co.
Stranahan, Harris & Company
Sutro Bros. & Co.
Thornton, Mohr & Farish

Townsend, Dabney and Tyson
Westheimer & Company
J. C. Wheat & Co.
Winslow, Cohu & Stetson
Arthur L. Wright & Co., Inc.
Zahner and Company
Bosworth, Sullivan & Company, Inc.
Burns, Corbett & Pickard, Inc.

Channer Securities Company
The Continental Bank and Trust Company Salt Lake City, Utah
Davis, Skaggs & Co.
The First Cleveland Corporation
Green, Ellis & Anderson
Janney, Dulles & Battles, Inc.
Lucas, Eisen & Waeckerle Incorporated

Lyons & Shafto Incorporated
McMaster Hutchinson & Co.
Mitchum, Jones & Templeton
Northwestern National Bank of Minneapolis
Pacific Northwest Company
Rodman & Renshaw
Scott, Horner & Co.
Stern, Frank, Meyer & Fox

The Weil, Roth & Irving Co.
Arnold & Crane
Fred D. Blake & Co.
Dwinnell, Harkness & Hill Incorporated
Ellis & Co.
Clement A. Evans & Company Incorporated
Fauset, Steele & Co.
The First of Arizona Company
First of Texas Corporation

Foster & Marshall
Frantz Hutchinson & Co.
J. B. Hanauer & Co.
Interstate Securities Corporation
Jones, Cosgrove & Miller
Magnus & Company
J. Earle May & Co., Inc.
Merrill, Turben & Co., Inc.
Penington, Colket & Co.

Prescott & Co.
H. V. Sattley & Co., Inc.
Walter Stokes & Company
Wagenseller & Durst, Inc.
C. N. White & Co.
Boettcher and Company
I. L. Brooks Securities & Co.

Doll & Isphording, Inc.
Ferris & Company
Walter, Woody & Heimerdinger
Wilson, Johnson & Higgins

October 24, 1957

A circular relating to these bonds may be obtained from any of the above underwriters.

Continued from page 3

How to Achieve Stability Without Booms and Recessions

and rising wages are good things, productive of good business and improved living standards. Having endured a decade of mass unemployment and agricultural depression, public opinion and public policy became strongly oriented to the idea of a constant battle against deflation.

The opinion gained ground that our mass-production economy had a built-in deflationary bias and that national policy ought to try to offset this bias by incorporating into the system built-in inflationary factors. This was done by the Social Security program, the farm programs and finally the Employment Act of 1946 which declared it to be the national policy "to promote maximum employment, production, and purchasing power." Leaders of both political parties pledged themselves to a philosophy of expansion.

Recently there has been evident a marked shift away from these ideas. The era of mass unemployment lies 17 years behind us—a generation has grown up that never knew the icy terrors of the Great Depression.

Current Price Stability Objective

So the new concept of stability that has emerged is price stability. More specifically, it is the idea that the most important goal of public economic policy is to keep prices from rising.

So vehement has this concern with rising prices become that many people have lately been saying we should not hesitate to bring on unemployment and recession, if necessary, to halt inflation. The Employment Act, with its goal of "maximum employment" is under fire. The opinion is widely held that to stop inflation the Federal Reserve, with the tacit approval of the government, should be prepared to bring on unemployment and declining business—in short, it is argued, price stability is more important than employment stability. This kind of talk alarms me.

Everyone is against inflation but to invite unemployment and recession deliberately in order to combat the moderate inflation we are now enduring would be playing with fire. It is like arguing we should burn down our house to kill a rat. In the dangerous world we inhabit, engaged as we are in dubious battle with a deadly foe, to court economic recession seems to me sheer madness.

Let me be quite plain. I am not in favor of inflation any more than I am in favor of the man-eating shark. But I do not propose to get hysterical about it. Let's take a quick, hard look at this price problem.

Since 1939 the index of consumer prices has more than doubled; the purchasing power of the dollar has been cut in half. This is a startling fact, but a statistic of this sort, standing alone, can give a distorted impression. Remember, 1939 was still a depression year with nearly 10-million unemployed and prices little above their 1933 pit. Hogs in 1939 sold less than 5 cents a pound; corn at 40 cents a bushel. Who wants to go back to 1939?

Who Wants 1939 Price Conditions?

Since then, we have been through a great World War. Now war itself is an inflationary process. We increased our national debt six times over; we trebled our money supply; we shot away an enormous amount of tangible wealth and we devoted our productive facilities to military hardware, creating huge shortages of consumer goods.

A major rise in prices resulting from the war was inescapable. This is just history repeating. In the Civil War prices doubled. In World War I they more than doubled—up 128% from 1914 to 1920. Then what happened? After the Civil War prices went into a long decline that carried them, by the end of the century, all the way back to prewar levels. After 1920, prices fell abruptly one-third; steadied during the big boom, then melted away in the Great Depression until they, too, were back to prewar figures.

In these backward glances, I have been citing the wholesale price index of all commodities. The consumer price index, commonly called the "cost of living" index is not suitable for long-range comparisons because of the great change in living standards.

So the price rise in these past 18 years—double in the case of consumer prices and a little more than double in the case of wholesale prices—is right in line with past experience. What is new—unprecedented—is that more than 10 years after demobilization, we have not yet had a really serious postwar decline in prices. Instead, prices have continued to rise. More disconcerting still, the recent advances follow a period of stability that had raised high hopes that the World War II inflation was over.

For a little over two years—from January 1954 to March 1956 the consumer price index held steady. It even showed a small decline. Then began a rise that has continued for 19 months and amounted to 5½%.

It is this 5½% rise in the past two years, much more than the larger rise that preceded it, that has caused all the outcry and provoked some of our leading financial statesmen to utter the call for unemployment and recession.

Unsuccessful Tight Money Policies

Led by our own Federal Reserve System, central bankers and fiscal authorities here and abroad have relied primarily upon quantitative credit control to deal with the recent price rise. That is to say, they have sought by open market operations and advances in the discount rate to limit the ability of the commercial banks to make loans and thus to prevent the bank deposit money supply of the country from expanding at a normal rate.

These measures have been pushed to considerable lengths. Here the bank rate has been raised seven times in succession and interest rates on government securities and other obligations have been advanced to levels not seen since the banking panic of 1933. In Britain the Bank of England rate has gone to 7%. There has been no lack either of courage or determination on the part of the monetary authorities to deal with the situation with the utmost stringency.

Unfortunately, these measures, severe as they are, have been singularly unsuccessful. Tight money has not, as yet, stopped either prices or wages from rising, although it may be having other effects.

General monetary controls may be slowing down our economy and producing excess capacity but they have not yet arrested the upward creep of prices. The disappointing results of a purely quantitative monetary approach to inflation have surprised even those who all along feared that approach was too simple.

A year ago, in speaking before the American Bankers Association in Los Angeles, I ventured the opinion that tight money alone would not halt wage and price advances unless carried to the extreme of bringing on unemployment and recession. Now, as we have seen, the more extreme proponents of tight money have, in effect, come to the same view; but they go further and say: "By all means, let us have some unemployment and recession." It seems to me, before we accept these counsels of despair, we might at least try other, more moderate measures.

I suggested a year ago the need to employ fiscal as well as monetary measures in trying to stabilize the economy and urged the use also of certain qualitative credit controls, such as the restoration of Regulation W to deal with installment credit.

Praises New Top-Level Council

Above all, I argued that the tremendous task—never before successfully carried out—of maintaining a stable and prosperous economy ought not, in simple fairness, to be dumped upon the Federal Reserve System alone. There was urgent need, I thought, for a central body to formulate and coordinate stabilization policies. It seemed to me such a body should be under the President's leadership and include the head of the Federal Reserve System, the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and such others as might be appropriate from time to time.

It is a matter of much encouragement that such a central group has now been set up. It is being called an anti-inflation committee but I have no doubt, if occasion arises, it will be prepared to consult and cooperate on problems of deflation too.

The essential point is that this new body will bring together for the first time on a regular basis the top officials responsible for economic policies and that the President will be meeting with the group.

Coming events, I am certain, will prove the need for such a body and will shape its functions and influence in measures far beyond the prim limits of the original announcement.

Two Critical Events

There is coming, I suspect, a critical time. Two important developments are forcing us toward a re-examination of our recent economic policies. These developments are: The slowdown in business and the new threat that Russia is outstripping us in the arms race.

Consider first the business picture. We have been experiencing an old-fashioned American investment boom, stimulated by continued heavy defense spending and aggravated by a relative shortage of labor due to the reduced birth rate of the depression years.

Now this investment boom is slackening. The government is making desperate efforts to reduce defense expenditures. Manpower cutbacks in defense—both military and civilian—are taking some of the pressure out of a very tight labor market. Economic difficulties abroad are bringing a reduced demand for U. S. exports.

Meanwhile, over-all industrial output has been leveling off for ten months. Capacity, however, continues to grow. As a result, manufacturing industries as a whole are now operating at about 80% of capacity contrasted with a preferred operating rate of about 90%.

Retail trade is good, but apart from a pure woman's love, there is scarcely anything you can't buy at a discount today. All this does not smell very inflationary. The recent behavior of the stock market suggests that deflation rather than inflation is the disturbing scent coming downwind.

For some months now, business sentiment, as I encounter it, has been getting increasingly cautious. Most business economists, although by no means all, have been agreed that 1958 will be a year of readjustment—how great a readjustment is still guesswork.

No Romance in Unemployment

If this is so I do not think this is a very good time to start talking about the romance of unemployment and depression.

If by some sad mischance the business and financial leaders of this country get tarred with the label of being in favor of, or even tolerant of, unemployment and recession as a cure for rising wages and farm prices, you can, in my judgment, get ready for something even rougher than the New Deal.

Nor do I think it would be very wise, as a few influential people have suggested, to alter the present broad goals of the Employment Act and make currency stability the first objective of national policy. If this is to be done, we had better have a full-scale national debate beforehand—not a full-scale national recrimination afterward.

Warns of Trap

We must not fall into the trap of thinking that stabilizing the consumer price index is the same thing as stabilizing the economy. Our goal is not a static economy but a progressive one. As in the case of a bicyclist, it is easier for the country to maintain its equilibrium when it is moving forward.

We have been having in this country a sharp debate upon this question of stability. Some have felt that inflation was the nation's number one peril and that it must be fiercely resisted at all costs. At the same time, the most extreme of these people have opposed any suggestion that our anti-inflation efforts be effectively coordinated and have generally insisted that they be limited simply to tightening interest rates.

Another group, chiefly consisting of critics of the Administration in Congress, has been eloquent in pointing out the weaknesses of a tight-money policy but not very bold in proposing alternative means of dealing with inflation.

Inflation Versus Depression or Military Loss

Now again let me emphasize that I am altogether against inflation—I am even in favor of not just talking about it, but doing something effective about it. At the same time, I maintain that the kind of inflation we have been suffering is less of a menace to us than would be another depression—or the loss to Soviet Russia of our military superiority.

The time has now come, I believe, when this long debate should be ended.

Faced with the evidence that Soviet Russia has almost certainly forged ahead of us in the development of the Intercontinental ballistic missile, we are compelled to make an agonizing reappraisal of our whole defense program. I question whether political or public pressure will continue to permit national defense to be subordinated to anti-inflation policies.

We shall have to spend more, not less, money on defense and on foreign aid. If this aggravates the problem of inflation, we shall have to devise better means of dealing with that problem, however little we may like it.

So the problem of stability today cannot be solved by resigning ourselves to alternate cycles of boom and recession. We must do better than that, even if it may mean imposing upon ourselves restraints we do not relish and disciplines we would prefer to escape. I am not talking about price ceilings and wage ceilings or the cumbersome type of control we had during the war. I simply mean more effective and better-coordinated use of both fiscal and monetary measures, including at least stand-by authority to use some direct credit controls. These would be, it seems to me, a small price to pay to escape the danger that Khrushchev some day—as he so clearly intends—could dictate to us the terms on which we would be permitted to co-exist.

In the bitter years since World War I we learned some painful lessons. We learned that the primary goal of economic policy, in a great nation must be to promote growth in all dimensions—to produce more, invest more, provide more jobs and better jobs, to be strong.

Lately we have come perilously close to forgetting those lessons. The policy that brings stability and strength to our harried generation cannot be one that regards recession and unemployment as "healthy corrections" instead of dangerous failures. It must be a policy that recognizes and makes the most of the enormous capacity for growth that this country has exhibited. Given that sort of economic policy, we can hope to achieve the only kind of stability that is worth having—the kind in which, year after year, tomorrow is better than today.

Bernard F. Kennedy On Trip to East

DENVER, Colo. — Bernard F. Kennedy, Manager of the trading department for Bosworth, Sullivan & Company, Inc., 660 Seventeenth St., and his wife are on their way to Toronto to visit their first grandchild, Kevin James Swain. Kevin's mother is Mr. Kennedy's daughter Barbara. Mr. Kennedy will also visit Chicago, Detroit, Buffalo, and New York City.

Bernard F. Kennedy

Twin City Inv. Women To Hold Meeting

ST. PAUL, Minn. — Twin City Investment Women's Club will hold a meeting at the Town and Country Club on Nov. 13. Speaker will be Professor Arthur R. Upgren, Head of the Bureau of Economic Studies, Macalester College, St. Paul, whose topic will be "General Economic Conditions." Dinner will be served at 6:30.

Form Ballantine Assoc.

(Special to THE FINANCIAL CHRONICLE)

SINTON, Tex. — William G. Ballantine is engaging in an investment business from offices at 222 West Sinton Street under the firm name of Ballantine Associates.

From Harry Siegel Assoc.

Harry Siegel Associates has been formed with offices at 464 Fifth Avenue, New York City, to engage in a securities business. Partners are Harry Siegel and Ann Siegel.

Walter Travers

Walter E. Travers passed at the age of 69 following a brief illness. Mr. Travers, who had been a member of the New York Stock Exchange since 1919, was senior partner in Travers & Bartsch, New York City.

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Protecting Public Carriers by Regulating Private Transport

the average load per car by two tons, i.e., from an average load per car of 40 tons to 42 tons, the movement of the equipment was retarded sufficiently to cause an increase in turn-around time from 14 days to 15 days, the result would be a reduction in total net carriage. Or, to approach European conditions, with an average load per car of 10 tons and a seven-day turn-around, it would increase the net transportation service more to reduce the turn-around time by one day to six days than to increase the load per car to 11 tons. This problem has been presented in some detail elsewhere, based on American conditions.

Control Policy

It was indicated above that the attributes of service are relative. The control policy must take into account all the characteristics of the general service which is being regulated. This includes the relative nature of the service attributes. This is the genesis of the "rule of reason" which has long been basic to regulative policy in the United States.

What constitutes "adequate" service then is no fixed or absolute thing. It varies with time and circumstances. These circumstances include the character of the economy, i.e., the variety and intensity of commercial activities involving transportation, and the competitive picture. As the charges for transport services become stabilized through regulation, competition takes the form of qualitative differences in the services offered by competing agencies. The advent of motor transport, as already noted, has been an important factor in changing the concept of adequacy. A shipper orders a car from the railroad serving him. There is no car available today, but there will be tomorrow. In the past regulative agencies have been inclined to refrain from interfering with this kind of situation. The railroad might claim that this was not a mark of inadequacy of service, but merely a normal time lag in responding to this particular increment of demand. Today, however, this distinction may be irrelevant, for the shipper, not the carrier, is in a position to define the term, and if dissatisfied with what he considers inadequate service, seek compliance with his demands via a competing carrier or through establishment of his own service.

Rules have been laid down to govern the apportionment of cars between users in times of shortage. The difficulty in administering this kind of regulation is enhanced by the proclivity of individual shippers to exaggerate their requirements at such times. This has made it necessary to elaborate procedures for determining the actual capacity of shippers to load.

Apportioning Cars

The supply of cars to shippers as ordered, though frequently used as a measure of the adequacy of service, actually represents only the beginning of that service. Transportation is not effected until the cars are moved and delays in effecting this movement frequently consume a disproportionate amount of the time that shipments are in the hands of the agencies of transport. This has resulted in most instances probably from the efforts of managements to secure train loads sufficient to utilize the full tractive power of the locomotives as a mark of efficiency in the operation of the carrier. There would appear to be need here for providing a balance between the maximum operating efficiency and the maximum service. It could hardly be expected that carriers, in the effort to provide the best possible service, would move individual cars as fast as they were loaded. This would mean sacrificing all the attributes that make rail transport cheap. On the other hand, one of the principal factors impelling shippers to provide their own transport facilities has been the failure to get service from the common carriers that was sufficiently prompt.

The ability of the shipper to provide his own transport has undoubtedly been a prime factor in the quickening of services offered by carriers for hire in recent years. Today we have scheduled freight trains, as well as passenger trains, offering deliveries in specific localities at specified times, sometimes involving interline connections in order to meet the competition of direct system routes. Special efforts are currently being made also to improve the service on less-carload traffic. These special arrangements, however, are provided at some extra cost to the carrier, and the determination of how far such services can be developed entails the balancing of costs against expected returns. A recent survey of the state-owned railroad system of one of the European countries indicates that these costs sometimes are not sufficiently considered. In this instance it was recommended that a reduction be made in the number of trains operated by consolidating the traffic into fewer dispatchments as a means of increasing operating efficiency and reducing an annual deficit. It has been suggested that in some cases present demand puts a premium on speed and punctuality in freight service to the detriment of efficient ton-mile performance.

The frequency of service may be a paramount factor in determining the particular agency used in any given instance. The nature of specific markets as well as the nature of the goods to be shipped affect the allowable time in transit. The shipper must therefore select that agency which will provide the service required. The speed and frequency of service offered thus becomes a matter for decision by the operating management. This decision will be affected by the cost entailed and the competitive situation. The growing competition over recent years has fostered an increasing elasticity in the demand for the services of any particular type of carrier. As a consequence, there has been a corresponding tendency on the part of the carriers to relate the charges for specific services more closely to the cost of providing them as opposed to the ad valorem method of charging. This balance between the best possible utilization of the equipment and the best possible service to shippers will generally be reached through some form of competitive compromise in a free economy.

Train Speeds and Rates

The type of transport agency used in a particular instance will be determined, in part at least, by the manner in which the traffic is offered. Motor transport lends itself to the movement of small lots over moderate distances. Large consignments over long distances can generally be moved more economically by railroad. In the case of a government monopoly, however, as in Great Britain today, solution of this problem may be sought through the institution of traffic allocations which are based largely on arbitrary decisions with respect to the specific functions determined for each of the agencies of transport.

In a free economy, the character of the demand for transport service as well as its elasticity will vary with different categories of goods and passengers. In the United States there are only two classes of passenger transportation which, in the light of recent developments, seem to be tending rapidly to merge into one. In other parts of the world, however, there are frequently three, and in some instances four classes. It is interesting to note, moreover, that in practically all cases these several classes of service are provided on a single train. It is true that before the Second World War our fastest de luxe trains were extra-fare trains; but the present tendency is away from this distinction so that today nearly all through trains provide first-and second-class accommodations. The same is true in Europe and other parts of the world. In the writer's view, a difference in train speed is a proper basis for a difference in the charge. In the past this distinction has been made and it has received the sanction of regulatory authority. Competition between the different agencies of transport is tending at present, however, to do away with this distinction. In passenger transport, therefore, differences in the quality of accommodation offered have become the sole basis for the different charges made for what is in other respects an identical service.

In Great Britain a distinction is made in the time of day the service is rendered in the case of local service in the London area. Cheaper rates apply to early morning and late evening trips. This might be considered as a manner of recognizing off-peak requirements similar to the practice of other public utilities. No distinction has ever been made in the United States, however, on the basis of the time of day the service is performed.

Professor Donald H. Wallace of Princeton University has thrown out a hint in this direction in his discussion of the theory of railway rates when he suggests that the presence of unused facilities "justifies discrimination in the sale of services at different times when intensity of total demand varies from period to period—a lower average rate when intensity of demand is low and vice versa." In the movement of commodities, as well as passengers, however, the tendency to reduce all charges to a common denominator regardless of qualitative differences in the services performed is also evident.

The production of ton-miles of livestock or perishable farm products involves performance and costs not required in the production of ton-miles of coal or sand and gravel.

It has been pointed out on numerous occasions that transportation takes place through time as well as through space. There is obviously some difference between a service which is represented by the movement of goods 300 miles in three days and the movement of the same quantity of traffic the same distance overnight. In the past, railroads regularly made a higher charge for "arranged service" involving high speed than for movement in ordinary tonnage trains. This differentiation would appear to be justified. However, today this distinction is becoming obliterated, due largely to the competition of the motor truck. Evidence of the efforts of the railroads to meet this competition exists in the faster schedules instituted in both Europe and the United States. In Europe the transit time of perishable products moving from Italy to Brussels has been reduced since the war from 48 hours to 28 hours. From Italy to London via the Dover ferry, the time has been reduced from 58 hours to 44 hours; from Italy to Frankfort from 51 hours to 28 hours, and to Amsterdam from 68 hours to 43 hours. In the United States, similarly, overnight services have been set up by the railroads between a number of the principal metropolitan centers throughout the country, as indicated in the sample listing below:

OVERNIGHT SERVICE

From—	To—	Distance (miles)
New York	Pittsburgh	426
New York	Buffalo	429
Chicago	Kansas City	449
Chicago	Columbus	308
Chicago	Memphis	510
Montreal	Toronto	335
San Francisco	Los Ang.	469

These services are not confined to perishable products, but include merchandise and frequently other commodities.

What speed of service can the public carriers be expected to provide? The maximum may be set by the competitive situation within the limits of safe operation. The competitive situation, of course, includes what the shipper may be able to provide himself.

The Element of Safety

This brings us to a consideration of the second basic requirement mentioned earlier, namely, safe transport. It is obviously in the interests of all concerned that transport services be so conducted as to assure the arrival intact of both passengers and goods at the desired destination; and both the regulatory agencies and the carriers themselves have taken continuing interest in the development of measures to provide safe transport. But the question may still be asked: how safe? Obviously, even here the obligation of the carrier is not without limit. Regulative agencies, however, have generally followed "the rule of reason" in imposing responsibility on the carriers. The attention of governments has dealt more directly with the safety of passengers than goods. The shipper of goods has open to him normal redress through the courts for loss or damage to his shipments. Personal injuries or loss of life, however, involve elements not susceptible of measurement in monetary terms. There may be limits to which the carrier can reasonably be required to go in its effort to provide safe transport in the movement of goods. In fact, in some parts of the world goods may be shipped "at owner's risk" for a lower charge than when the carrier assumes full responsibility. This limitation of the carrier's obligation has not generally been recognized in the United States. Here the carrier assumes full responsibility as bailee. Provision of a reasonable degree of safety may be all that is called for. But in the case of passenger transport safe transport loses this elasticity of meaning.

The extent to which the carrier may go to ensure safety involves the judgment of management. Absolute safety agaainst all possible contingencies cannot be achieved. The question becomes one of determining the zone of reasonableness which will be acceptable to the authority responsible for protecting the interests of the user of transport services and the public. Various measures have been taken by carriers to increase the degree of safety. The railroads have installed numerous safety devices on cars and locomotives as well as elaborate signal systems along the rights of way to govern the movements of trains on the road. Aids to navigation have been provided regularly by governments to improve the safety of operation for both ships and airplanes.

On highways safety requirements imposed by governments have generally not been in the form of any sort of signal systems except within metropolitan areas, but have been confined largely to stipulations with respect to control devices on the vehicles themselves, such as standard braking mechanisms, and to speed restrictions on open highways. Railroad signal systems have been required in order to permit safe operation at high speed; but on highways safety has been sought through limitation placed on the allowable running speeds. In general the interest of governments in the safety of transport has been independent of the interest in the quality (and cost) of service in other respects.

Protection Against Contingencies

Many safety measures have been instituted in the interests of the employees, but a good proportion of these have reacted to increase the safety of passengers and goods as well. Numerous safety measures have been initiated also to protect the operations against what is commonly called "the human factor." Operating rules are in general use to provide protection for trains in case of delays or other untoward events.

How far can managements reasonably be expected to go in providing against contingencies? After serious accidents the public may become alarmed and demand extravagant precautions. In this country involving a derailment and subsequent collision that might have been avoided if proper precautions had been taken by the crew of the derailed train, there was insistence in some quarters on the immediate installation of radio-communications between passenger trains. The carrier involved in this case pointed out, however, that the devices already installed, together with the operating rules, provided adequate safeguards if the train crew had been sufficiently alert in following the instructions. The installation of additional devices which depended for their effectiveness on use by the operatives would not protect the operation against the liability of the crews to lapses in diligence or attention to duty. Mechanical failures are very rarely the cause of accidents on the highways. Most such accidents result from carelessness or deliberate disregard of traffic rules.

The obligation of the carriers to provide safe transport does not require expenditures sufficient to preclude the possibility of accident from this sort of human failure, but governments have exerted pressure on the managements to install additional safety devices, such as cab signals and automatic train stops, etc. Since the carrier is liable for damage or loss sustained through negligence of its representatives or employees, it would appear that one of the best safety measures open to the management would be the expenditure of the effort required to instill an unflagging sense of responsibility in the employees, particularly those engaged in train operations.

Complete Service

An element of service which is apt to be overlooked in many discussions of transport matters is that of completeness; yet this is a matter of some significance. It is a basic distinction, for example, between highway transport and all other agencies, for highway transport is the only agency capable of giving complete service to all shippers. The other agencies must depend on motor transport regularly to provide a complete service for "off-line" shippers or consignees. For highway transport there are no "off-line" shippers or receivers of goods. Railroads can give complete service to patrons having their own

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Protecting Public Carriers by Regulating Private Transport

sidings, and shipping companies can give complete service to shippers or receivers of cargoes having their own docks. Airlines can seldom give a complete service. For passengers it is regularly necessary to provide motor transport to and from the airfields, which often are an hour's ride from the ultimate destination of the passengers.

The advent of the motor carrier has made all transport agencies more conscious of this matter of completeness, so that today "collection and delivery" are regular adjuncts of through service by rail for shippers of small lots or those who do not have rail sidings of their own. Government control authorities, however, have not required "store door" service for railroads. In general, rail service has been considered complete with delivery at the rail head or freight station. The carrier has not generally been required to accept an obligation beyond that point. Competition between the different agencies of transport has provided the incentive to match the motor carriers in this matter of completeness of service. The failure of the old-line transport agencies to provide complete service has also been a factor in the development of transport facilities by the shippers themselves.

The Element of Continuity

A common carrier offering a specific service for a charge can be reasonably required to maintain that service continuously as long as there is a demand for it. Continuity of service is one of the distinguishing obligations of a common carrier.

Failure to provide continuous service is a cause of diversion of traffic from one carrier to another or to the shipper's own transport agency. The public interest in continuous service has long been recognized, as evidenced by the well-established procedure required in cases of proposed abandonment. Not only is the obligation of the common carrier to provide continuous service generally acknowledged; but the State itself may act to safeguard the shippers where continuity of service is threatened involving factors beyond the carriers' control. If the continuity of service of a common carrier is threatened, as in the case of a labor dispute, the government may, in protecting the public interest, take action to forestall the threatened disruption. This has been done on several occasions recently in the United States as well as in Canada and Mexico.

In the United States during the Second World War, also, it was deemed both proper and essential that the government assume responsibility for the management of a number of motor carriers because of the disruption of services as a result of labor difficulties. Continuity of service is thus a matter of fundamental importance.

Another aspect of this problem arises from the rigidity which results from inability of the carrier to adjust its services to variations in the demand. A decline in the volume of traffic offered on some portion of a system may convert a former profitable operation into a losing proposition. Regulative policy in the United States has favored continuance of services, even when provided at a loss to the carrier in instances where the demand did not disappear entirely and the substitution of other services or facilities was not readily available. Considerable effort has been expended by the carriers in recent years to reduce this lag in the adjustment of operations to changes in traffic requirements. The substitution of motor services for rail services is more and more affording an acceptable solution for situations of this sort.

Ancillary Services

In the course of moving either persons or goods from one place to another certain services which are not directly connected with transport service itself may be required or considered "good business." These extra, or special, services have been inaugurated as competitive features in many instances by which carriers with more circuitous routes have sought to attract traffic; or in other cases where carriers have joined with the commercial interests of one locality in competition with another. In many instances these extra services involve additional costs which the carrier offering them must absorb. Such is the case with the privilege of "fabrication in transit" or "milling in transit." The privilege of reconsignment may involve extra operations by the carriers, entailing some cost. Ancillary services offered passengers by the railroads consist in the provision of facilities for meals and rest en route, as well as club cars and other recreational facilities also frequently provided. In the case of freight traffic they comprise the feeding and resting of livestock, and icing or other protection of perishables.

The cost of providing these extra services must be covered either by direct charges or in the general rate structure. Regulative policy in this country requires that charges be made for certain of these services as rendered. In Great Britain, the Transport Act of 1947 empowers the British Transport Commission "to provide passengers and other persons hotels, other living accommodations and places for refreshment," and "to provide other amenities and facilities for passengers and others making use of the services as it may appear to them requisite or expedient to provide" (article 2, section 1-e and f). But in section 3, defining the duties of the Commission, these particular activities and services are not mentioned. A Hotels Executive was created, however, by the Act. Railroad operation of hotels in most other parts of the world has never been required by governments, and has been conducted as a separate enterprise, in most cases as a means of attracting business to a given line. The provision of sleeping accommodations en route has regularly varied with the class of travel, and regulatory authority has not generally penetrated deeply into this category of service. Competition among the carriers seems to have been the controlling factor. This is true also with respect to the provision of such "frills" as club and lounge cars, which the public has now become educated to expect.

There is, obviously, a wide range of possibilities here from the minimum comfort afforded in the ordinary day coach or third-class carriage abroad, to the extravagances supplied on the legendary train of Prince Michael Hilkoff, with its church and choir, gymnasium, steam baths and massage tables. But even Prince Michael's train did not have air conditioning, which is common on the railroads of the United States today, and is fast spreading over other parts of the world.

The point here is that there are minimum amenities which the conditions of travel make necessary and which, therefore, the traveler is justified in expecting. These services must be covered in the general rate structure. Other more elaborate facilities may be offered in competition, but the carrier cannot be required to provide them. Moreover, patrons receiving such extra attentions might properly be expected to pay separately for them. The dividing line between these two categories of services will vary with the competitive situation and general social growth.

The Problem of Private Carriers

It has been suggested earlier that an important factor in stimulating the provision of better service on the part of the common carriers was the power in the hands of the shipper, particularly since the advent of motor transport, to provide his own transport services. At the same time, the private carriage of both persons and goods today poses one of the most serious problems faced not only by the public carriers but also by those responsible for public policy with respect to transport generally.

In passenger service the total vehicle-miles estimated on main rural roads in the United States during 1949 was 125,602 million, and for local roads 43,267 million, or a grand total for that year of 168,867 million vehicle-miles including both public and private carriage. But public carriage is reported to represent only approximately 1% of this total. The average number of persons per vehicle was two, so that the passenger-miles produced on United States highways that year amounted to roughly 337,734 million, of which only about 1% resulted from public carriage. Accordingly a large proportion of the attention and expense of the authorities charged with the promotion of highway transport is given over to safeguarding the operations of private vehicles. However, no attempt is made, or can well be made to control the operation of these vehicles in the economic sense. Other factors than the cost of operation govern their use. These factors can be lumped together under the term "convenience."

However conscientiously the public carrier may strive to make its services convenient to its patrons it can never hope to achieve the degree of convenience of the private automobile. This marked superiority of the owner's vehicle tends to diminish, however, as the distance to be traveled increases. For long journeys, the ancillary services mentioned above, which are offered by the public carriers, provide a degree of convenience which the individual finds himself less easily able to match. Thus, the proportion of total passenger transport represented by private carriage diminishes quite rapidly as the distance traveled increases.

Nevertheless, as the figures just cited indicate, the total private carriage represents a very substantial proportion of total passenger transport in the United States. Moreover, present trends suggest that this situation is likely to continue indefinitely.

Policy with respect to planning for future expansion of facilities for passenger transport, therefore, must take this characteristic development into account. In order to provide smooth operation as a whole, facilities for both private and public carriage must be developed co-ordinately.

With respect to the movement of commodities, the problem created by the private operator is of a somewhat different character. In 1936 transportation by public carriers on the United States highways amounted to 11,911 million ton-miles. In that year private carriers were responsible for 16,094 million ton-miles. In 1949 the ton-miles produced by private carriers amounted to 43,231 million compared with 45,896 million ton-miles accounted for by public carriers. Thus the volume of business privately conducted is large. It is carried on in areas where public carriage is also offered, providing competition with the public carriers and thus engendering a duplication of facilities.

Moreover, since the private operation is generally beyond the scope of regulatory authority, it is not subject to the controls which apply to public carriage. The private operator is not compelled to keep books or other means of determining the cost to him of conducting his own transport. The nature and extent of the services which he renders for himself are determined entirely on his own initiative with no requirements imposed, except safety measures, other than his own desires. If it suits his fancy his operations may be conducted at a loss and the deficit from his transport be charged against the gross income from his business.

"Management of regulated industry, an indispensable segment of our economy and one vital to our national self-preservation, is faced with the double problem of meeting its commitments to the public which it serves, and the government itself under the rules and regulations which we establish, and at the same time of obtaining the capital required to meet its responsibility in competition with the unregulated segments of our economy which, in a large measure, observes only rules of his own choice."

The shipper conducts his own transport because he can thereby secure a service which is either better, e.g., more convenient, or cheaper, or perhaps both under the conditions which obtain in his case. In this country numerous steel companies ship coal to their mills on the Ohio River, for example, in their own barges. The service provided is probably no better than could be secured from public carriers in the area; but it is cheaper because the maintenance of the right-of-way over which these barges operate is provided not by the shipper but by the government through taxes. Thus this private operation is subsidized by the taxpayer. And at the same timee, the public carrier is denied this business because of its inability to match the cost of the shipper under the present procedure This may mean that at certain times the public carriers' facilities will be paritally unused.

If private carriage draws away a sufficient volume of business from the established public carriers, the result may be to make the public carrier less able to provide the services required by other regular patrons; or the charges to the remaining patrons may have to be increased. It has been argued recently in connection with this situation in several countries "whether even the modified ad valorem system of railroad rates is still warrantable in cases where commercial enterprises, by abusing this system, tender to the railroads for transportation only low class commodities, while moving the high class freight in their own trucks." The further question has been raised whether in the local zone (up to 50 kilometres), within which highway carriers are largely exempt from regulation in some parts of the world, the railroads' obligations to enter into a contract of carriage should be greatly relaxed. Such a procedure would be contrary to long-established policy in the United States.

While the value of the ability of the shipper to provide his own transportation services is recognized as a stimulus to the public carrier to offer adequate and efficient service, it must be noted at the same time that there is the possibility of abusing this privilege, with consequent danger to the efficiency and adequacy of public transport services.

Moreover, since in most cases the small shipper must rely on public transport and pay whatever the cost may be, unrestrained private transport tends to assume the character of a discrimination in favor of the larger shippers, although this is not universally the case, e.g., with respect to the transport of agricultural products. This situation suggests, however, that some form of control over private carriage in the interest of the general public may be required. Central transport policy in recognizing the right of the individual shipper to provide his own transport should at the same time prevent handicapping other shippers by equalizing the conditions under which both private and public transport is conducted.

Co-Ordinated Services

The matter of the co-ordination of transport services has been before various committees of the Transport and Communications Commission of the United Nations over a considerable period and was a subject of study even earlier in the League of Nations. Because of the importance of this problem, however, it may be worthwhile to rehearse here some aspects which seem to be susceptible to more than one approach.

The different transportation agencies offer services, some of which are similar and therefore competitive, while others are qualitatively different and therefore, of a complementary nature. These differences in services rendered have a bearing on the problem of co-ordinating them, particularly where they result from differences in the inherent characteristics of the agencies themselves. The utilization of motor transport facilities by the other types of carriers in order to effect a complete service for off-line patrons has already been alluded to.

The demand for co-ordinated transport services has grown with the increasing extent and tempo of commercial transactions. A degree of co-ordination between inland and overseas transport is regularly required in international trading operations. The co-ordination of inland transport services, however, presents a different problem. In a rapidly expanding economy there is no problem. Traffic is generated as fast as facilities are provided by the various agencies of transport. As long as that situation existed governments could afford to foster the development of facilities indiscriminately and rely on the expanding commercial activity to utilize the increasing transport capacity as it became available.

Highway Carriers Left Free

Regulative policy in the United States has generally sponsored and in fact required the co-ordination of facilities necessary to effect through routes between certain types of carriers. This is the case for rail and water carriers; but it has never been mandatory for highway carriers. This policy in the United States has developed into a combination of promotional activities and controls with an underlying reliance on competition to maintain the balance of power in the hands of the shipper rather than the agencies of transport. As a result of this lack of unified direction there has been a somewhat disorderly mushrooming of facilities, particularly of those agencies which have been the recipients of promotional assistance in one form or another without regard to the possibilities, or consequences, over-expansion of transport facilities as a whole. Certificates of convenience and necessity have been required, but too often without due regard for the situation as

between the different types of agencies.

Consequently today combined capacities of the several transport media are tending to expand more rapidly than the over-all demand for transport services in several areas in the western world. This situation has provoked the charge that the present policy is damaging to the national interests by causing an unnatural distribution of traffic and thereby preventing the full effectiveness of certain transport agencies. It is argued that if promotional activities of government in behalf of other agencies result in reducing the demand for railroad services, for example (if this reduction is sufficiently great), the result may be to make less attractive the remaining services, partly by raising the cost of performing them. This process tends to be cumulative in its effect and might eventually result in serious deterioration in railroad capacity. This aspect of the problem appears to be commanding the attention of the governments of a number of nations today, where regulations are being proposed or established to control the operations of motor carriers.

Competition vs. Co-Ordination

The degree of reliance which has been placed on competition among the different agencies of transport in the United States as a means of restricting over-development of facilities and of protecting the interests of the shipping public at the same time has not been general throughout the world. The attitude of governments and responsible regulative agencies has shifted from time to time under the stress of changing economic and social conditions. To some extent competition and co-ordination are antithetical.

It is not possible to secure true co-ordination through competition, as some writers have suggested. During periods of heavy traffic flow all competing agencies may share in the movement. This may give the appearance of co-ordination, and in time of emergency the controlling agency may be able to effect some degree of co-ordinated effort. But under normal peacetime conditions competition means duplication of services. And as the total traffic volume declines in relation to the facilities that are available, the economic waste involved in the duplication of services offered becomes a problem of some importance. It can become a serious drain on the economy through the institution of subsidies or other measures which may be taken to bolster the position of one or more of the contending carriers.

In Great Britain government policy is directed toward the achievement of co-ordinated services through a much more far-reaching control over all agencies of transport than exists in the United States. Traffic in Britain is subject to allocation on a functional basis with a view of fostering those particular services which each agency is presumed to be best fitted to perform. This kind of arbitrary allocation of traffic is contrary to traditional policy in the United States. But recent developments here suggest a recognition of a changing situation within the industry requiring more singleness of purpose and uniformity of treatment of the several transport media.

Recent ICC Decision

In a recent decision denying the application for a merger of two large trucking companies which would have provided facilities for transcontinental services, the Interstate Commerce Commission took some pains to indicate what it considered the most effective spheres of operation for both rail and highway carriers.

"Transcontinental traffic, including the commodities most susceptible to motor truck competition, when moving in large volume, can be transported more economically by rail than by motor carrier," the commission's report said. "The record indicates that this would still be true for hauls at distances much less than coast to coast. To the extent inroads are made by motor carriers on this type of traffic, the volume available for mass transportation by railroads will be reduced, and the advantage of rail transportation in this field would eventually be undermined.

"The cumulative effect of the loss of such traffic to motor carriers would necessarily be felt by the railroads, and would impair, not only their service on commodities which motor carriers normally solicit, but also on commodities which must necessarily be transported by rail. The shipping public would suffer from a decrease in rail service and it would be faced with demands for increased rates on commodities which must move by rail. In the administration of the national transportation policy the inherent advantages of rail transportation on volume movements of transcontinental traffic must be preserved."

As one of the Commissioners indicated in his dissent, there would appear to be no need to afford regulatory protection to the inherent advantages of rail transport in the absence of factors other than normal competition. There are, however, other factors present. Among these other factors is the advantage afforded large trucking units due to the failure properly to graduate present user charges assessed against highway carriers, according to some recent analyses.

Broader "Cost" Concept

As Professor Sidney Miller of the University of Pittsburgh has pointed out, the central policy should be such that the net social cost of providing the transport services demanded will be a minimum. The term "cost" must receive a broader construction than that associated with customary accounting procedures. The final test of the propriety of rendering a particular service by rail, by water, or by other means "is not entirely relative cost in this narrow sense. It is rather the minimum cost of all services rendered the public, taken as a whole. The public is entitled to the benefit of the services of each agency of transport to the extent that those services, co-ordinated with the services of other agencies . . . will provide for the complete transportation needs."

This is presumable the objective of most goverenments today. Determination of the most effective method of securing the degree of co-ordination of services that will most effectively and efficiently meet the transportation needs of industry and commerce constitutes the problem. The question at issue is whether the present distribution of the total traffic represents the most efficient and economical utilization of transport facilities considered from the standpoint of the national transportation systems, including all agencies.

There has been a rather inflexible adherence in the United States to the principle of competition as the basis of regulative policy. While this is understandable in the light of the history in this field, it may be questioned as to whether it is still justified under present-day conditions. It has been characterized as an adherence to 18th-century economics. There is sufficient evidence of the benefit of some degree of competition to warrant what measures may be necessary to prevent its complete elimination, but if competition is retained in transportation it must be controlled in such a manner as to be fair to all the competitors. All public carriers should be placed as nearly as possible in the same pposition with respect to regulative restrictions.

Can the degree of co-ordination of transport services generally desired be achieved with a continuance of unrestrained inter-agency competition? Government policy in the United States has shifted from the maintenance of pure competition to the encouragement of consolidations among carriers of the same type. Should this newer policy be broadened in the light of present conditions to provide freer opportunity to co-ordinate the services of different types of carriers, under single management, for example? Are the advantages to be derived from maintaining the inviolability of the different agency types sufficient to offset the advantages of some degree of unification? This question must be approached in a realistic manner by individual nations in the light of specific situations which may obtain in each case.

Conclusion

From what has been said it is perhaps sufficiently evident that transportation service is a complex combination of numerous elements. The formulation of policy with respect to the development and control of transport service requires the consideration of these individual elements not in isolation from each other, but in connection with all the others.

It must take into consideration the inherent characteristics of the indivdual agencies but it must also recognize the inter-relationships of these agencies from both the competitive and complementary standpoints. It is not possible to pursue policies involving the promotion of the services of one agency of transport without recognizing the effect of such promotional activities on the operations of other transport agencies.

The formulation of policy with regard to the co-ordination of services must envisage the fuction each of the agencies is inherently fitted to perform. And again any system of controls established with respect to public carriers must recognize the relationships between these and private carriers.

LETTER TO THE EDITOR:

Reader Criticizes Observations on Gold

New Haven monetary writer claims Dr. Pick makes such errors in his article (*Chronicle*, Sept. 26) as to: (1) number of U. S. dollars required to purchase "old Double Eagles"; (2) claimed obsolescence of our gold mint price of $35.00 per ounce; and (3) ability to up-value or down-value gold itself. Mr. Shull expresses pleasure in finding that Dr. Pick agrees that gold devaluation "would be 'a rank declaration of bankruptcy'," and observes that England has not lost concern for her gold reserves.

Editor, Commercial and Financial Chronicle:

The address of Dr. Franz Pick before the American Mining Congress, Salt Lake City, Utah, on Sept. 11, 1957, and carried in your issue of Sept. 27, does exactly what one would expect Mr. Pick to do — and that is, urge the United States to further devaluate the American Dollar by raising the official price of gold to as high as $70.00 an ounce.

Frederick G. Shull

Late in his address Mr. Pick says: "Surely, there is no other solution to our currency problem, than a good devaluation, which means a 100% increase of the so-called gold price." But, to his credit, Mr. Pick does admit that such action by our government would be "a frank declaration of banruptcy" —something that any true American would surely deprecate. Let's examine some of the other views expressed by Mr. Pick in this Sept. 11 address:

The first error I detect is a matter of simple arithmetic: He equates "$65,000,000" to "58 tons of the yellow metal." In the interest of greater accuracy, $65,000,000 of fine gold weighs 63.6 tons avoirdupois—but that is of minor interest in the present discussion.

Old Double Eagles

The second error—also involving mathematics—is that one of our "old Double Eagles" is now worth "40 to 42 paper units." Well, 35 of our present paper dollars represent 480 grains (one ounce troy) of fine gold; one of our "old Double Eagles" ($20.00, based on 23.22 grains per dollar) represents 464.4 grains of fine gold; and foreign central banks and nations can still redeem their U. S. paper dollars at $35.00 an ounce of fine gold at the U. S. Treasury. Therefore, 33.86 of our "paper units," or paper dollars—and not "40 to 42 paper units"—are equivalent to one "old Double Eagle." This is merely another inaccuracy in which Mr. Pick seems to specialize.

Mr. Pick admits that gold "is a cherished possession, and became a standard of value and wealth for countries and individuals"; and that, during the 19th century, Britain made the gold standard "the dominant monetary philosophy." Would Mr. Pick undertake to say that Britain didn't do pretty well under that "philosophy"? At any rate, he admits that under that set-up the "people had confidence in their monetary leadership" — something that under the continuing inflation of today is sadly lacking in our country.

Again, Mr. Pick says: "The 1934 'Paper Dollar' remained respectable only until the end of 1939." But may I say, for the benefit of Mr. Pick and the American public, the "1934 paper dollar" never has been "respectable," and never will be until it is restored to the sound and honest basis of the Gold Standard!

Denies Gold Price Is Obsolete

Mr. Pick goes on to say that our official price of "35 paper dollars per ounce of fine metal" has become "absolutely obsolete." Can it be possible that Mr. Pick, operating as a world-currency expert, is unaware that any foreign central bank or nation can still redeem its American paper dollars at the U. S. Treasury at "35 paper dollars per fine ounce of metal"?

Mr. Pick says that these facts of gold "do not interest the man in the street, the banker or manufacturer"; that "they have discarded the idea of considering gold as an important factor in monetary matters"; and that "they have fallen for Lenin's famous opinion, according to which gold should only be used for the construction of urinals in the streets of the large cities." How silly can a world-currency expert actually become? Mr. Pick may "have fallen for Lenin's famous opinion," but certainly Great Britain still worries about the depletion of her gold stock—and we may be sure she is not thinking in terms of "urinals."

Again, he says: "It is furthermore clear to any student of monetary problems, that the present world cannot return to the gold coin standard." That is something that may be "clear" to Mr. Pick, but it certainly is not "clear" to some 70 leading economists of this nation associated as the "Economists' National Committee on Monetary Policy"; nor could it have been "clear" to 14 eminent British economists and financiers, the "Macmillan Committee," who, in their report issued in June of 1931, had this to say:

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

Cannot Up or Down Value Gold

And then we have this further gem of world-currency experting by Mr. Pick in his Salt Lake City speech: "Should we return to a gold coin standard, even after devaluation and with a double amount of simply 'up-valued' yellow metal, this still will not be enough." You cannot "up-value" nor "down-value" gold; but you can down-value the American dollar. And it is apparent that Mr. Pick is toying with the dishonest idea of cutting the value of the dollar in half, by raising the official price of gold to $70.00 an ounce of fine gold. Forgetting the gold producers for the moment, what does Mr. Pick think would happen to the savings of the American people, who own more than $500 billion of dollar assets in the form of bank deposits, government bonds and life insurance benefits already paid for, if our government were to again resort to the dishonest trickery of further devaluation of the American dollar? Why, at $70.00 an ounce, those savings would be cut in half.

Finally, Mr. Pick told the American Mining Congress at Salt Lake City: "Governments do not want to be 'policed' by gold covers of their banknotes. They want freedom of paper money practices and cannot accept being ruled by the yellow metal." In reply to that piece of monetary heresy, the following quote from the writings of one of our great Americans, Andrew Dickson White, drawn from his monetary masterpiece "Fiat Money Inflation in France" (page 49), published more than 50-years ago, reads as follows:

"Whenever any nation intrusts to its legislators the issue of a currency not based on the idea of redemption in standard coin recognized in the commerce of civilized nations, it intrusts to them the power to raise or depress the value of every article in the possession of every citizen."

FREDERICK G. SHULL
2009 Chapel Street
New Haven 15, Conn.

October 2, 1957

L. Lester Rona

L. Lester Rona passed away Oct. 14 at the age of 61. Mr. Rona was formerly head of L. L. Rona & Co. of New York City.

Continued from first page

Just Plain Work Lies Ahead For the Gas Industry

tude of the problem we all are working on. Just as we who have worked together have been impressed, they cannot avoid being impressed by the fact that there is no solution to the problem in the sole interest of the producer, or the pipeline, or the distributor or the consumer, and that the solution lies in the common interest. That solution—embodied in the proposed legislation — is based on the simple economic facts that supply is adequate when suppliers are provided incentive and that price is reasonable when supply and demand are in balance. To assure those who originally may have felt that consumer interest may lie only in the area of price, the Bill provides for continued regulatory price control over the producer's sales to the pipelines.

"The best is yet to be" must have been a thought of those leaders of the petroleum and manufactured gas industries, who looked upon the wasteful practice of flaring and blowing to the air hugh volumes of natural gas in the Texas Panhandle back in the 1920s and early 1930s, as they foresaw the day when it would be transported great distances to the large industrial, densely populated areas.

We can all agree, I believe, that the dreams of those men who foresaw this vast industry have, in fact, come true, but what lies ahead? Just plain work, and I might add—work together.

Competition Facing Gas

Common understanding in our efforts is essential, for ahead lies rigorous competition from the electric industry for base loads, the oil industry for house heating loads, the oil and coal industry for industrial loads, and somewhere, way in the future, atomic power for the development of electrical energy.

The rising costs of money, labor and materials are causing concern for those contemplating expansion and modernization of plant facilities. So serious is this concern that some organizations are delaying or canceling well conceived expansion programs. Other organizations are viewing the future with greater assurance, in the belief that the demand for their commodities is definite and essential to our economy. The natural gas transmission industry is among the latter group.

Many of you, just as I, must have been proud of being associated with the national gas transmission industry as you read that it would spend an additional $8 billion[1] on expansion of facilities in the next eight years. Following the first sense of pride, one is amazed at the enormity of the prediction and the amount of work that such a vast sum of money represents—not only from the standpoint of construction, but in the planning stages to assure managements, the purchasers of securities and regulatory bodies that such ventures shall be sound and justified.

The thought must have occurred to all of us—where is the money coming from? Well, it is coming from the same sources that all investment capital comes from—first from funds generated from within a company and the balance out of our individual savings. Unfortunately, we are not saving our money as fast as our expanding economy requires and the supply of money is not adequate to met all the needs for modernization and expansion.

1 AGA Monthly—February, 1957.

Higher Rate of Return

Since demand for money is large and the available supply is short, the cost—or interest—on borrowed funds is high. If new pipeline bond money today can be expected to cost in the neighborhood of 5.5%—and some believe that may be the price—and equity is to earn at least 10% to provide a minimum dividend return on a reasonable pay-out ratio, an average rate of return with respect to new money in excess of 7% will be required for bare bones money costs, to say nothing of the other return factors requiring consideration. Transmission as well as distributing and producing organizations who borrow money for expansion thus must pay more for the use of it—and that cost is passed on eventually to the consumer in the form of higher rates.

Those who lend this money are able to choose from among many who would like to borrow and they can impose conditions upon the loans, other than that a project be economically sound and that the interest charged be high. The transmission industry has been made very much aware of this by the somewhat recent change in practice of the insurance companies. In years past they required only proof of adequate natural gas reserves during the period of debt amortization, or the promise of a responsible geologist that reserves were available with diligence. They now require adjustment of the period of debt amortization equal to the existing proved supply of gas in terms of years, and a new look at the reserves is now taken each year for that purpose.

Vicious Cost-Revenue Circle

Who is it that lends this money to organizations such as the transmission companies wishing to expand? Well, they are, as well as individual investors, such groups as pension funds, banks and the largest of all groups, the insurance companies, who held $1.884 billion in natural gas transmission corporation securities at year-end 1956. So we have the interesting event of millions of persons saving money which is lent to industry at higher interest rates, thereby increasing the income of those who have saved. Simultaneously, we see labor charging industry a greater amount for its services. The higher prices which result from the larger expense imposed on industry are passed on to the consumer, thus absorbing his increased earnings, and we are all trying to maintain the economic relationship existing before the last round of increases, or more probably the next to the next to the next last round of increases.

I believe we have plenty of work ahead in planning the proposed expansion ventures and making them so economically sound that the individual and group investors will want their capital to flow to the natural gas transmission industry, thereby permitting it to meet the demands of our growing economy.

Projects Increasing Production

This year the industry is serving the needs of 45% [2] of our nation's energy requirements for which natural gas is competitive. To do so, we produced 10.9 trillion cubic feet [3] of gas in 1956 while serving 25 million customers and the industrial organizations supporting a population of 171 million people. Practical projections of population and fuel trends indicate that in serving another 17 million in population in 1965 the natural gas industry will produce 16.5 trillion cubic feet.[2] Further projection of these demands indicates the industry will provide 60% [2] of the nation's fuel requirements for which it is competitive while producing 22.5 trillion cubic feet [2] in 1975 to support an economy of 210 million in population.

These are the requirements which our prospective customers are placing upon the gas industry. The needs for this premium fuel are believed to be realistic for the period of time covered by the projections. Whether or not the industry can satisfy these demands is dependent upon whether supply is adequate and whether price remains reasonable and competitive, thereby assuring the economic feasibility of the projects.

Known Reserve's Supply

What about supply? Do we have any concern in this area? Not so far as the existence of natural gas is concerned for many years to come, but adequate incentive must be provided to explore for and develop the reserves which are believed to exist in order that we may bring this gas to market. At year-end 1956 it was reported that known reserves of natural gas were 237.8 trillion cubic feet [4], a volume equal to 20.9 years based on our present requirements. This compares with known reserves of 160.6 trillion cubic feet [5] in 1946, or a volume equal to 32 years of then existing requirements. The remaining years index has been steadily decreasing in this ten-year period, as a result of the ever-increasing utilization of natural gas.

The estimate of remaining unknown reserves based on expert opinion has been generally accepted as being about 626 trillion cubic feet [6], and this past spring we heard one of those experts, Lyon F. Terry [7] of the Chase Manhattan Bank, tell of his current revision in the estimate of total natural gas supply which indicates the total future supply to be 1,200 trillion cubic feet, but, of course, someone has to find and produce the unknown portion of this supply — at a price commensurate with the risk of individual failure.

Providing Incentive

Many of us in the transmission industry are looking forward to again making a major contribution in the location of those unknown reserves provided we, too, are given incentive commensurate with the risks attendant to such search. As you are all aware, in large measure this phase of our industry activity has, since about 1942, been carried by the producers, the pipeline organizations making small contribution with no incentive provided to them. They have been limited to recovery of those costs which have been approved by the FPC over the life of the reserves and related facilities plus an annual rate of return on the depreciated cost of those reserves. Too frequently "cost" did not, in my estimation, include all those justifiable costs essential in this high-risk type venture. I refer, of course, to those leasehold acquisition, exploration and drilling costs in unsuccessful ventures which the pipelines wrote off as charges to earnings prior to passage of the Natural Gas Act.

Since these charges had been written off, the pipelines were not permitted to reinstate them so they would become a part of the rate base which the pipelines could recover or upon which they could earn a rate of return. In other words, the pipelines absorbed the losses on those unsuccessful ventures. I mention this because it is at considerable variance with a current ill-conceived attitude that the consumers have already paid for the gas reserves belonging to pipeline organizations.

2 AGA Monthly—January, 1957.
3 AGA Monthly—April 1957.
4 AGA Monthly—April 1957.
5 Historical Statistics of the Gas Industry—AGA—Table I.
6 McKinney Report.

	Used	Known	Unlocated Res.
1,000 Trillion	136 —	238 =	626

7 Lyon F. Terry, John G. Winger; Future Growth of the Natural Gas Industry.

Pipeline Production Retreat

Looking back over the life of our industry, the early pipeline organizations produced a very large portion of their requirements. So long as they were provided adequate incentive, they continued to explore for, develop and produce the major portion of their own requirements.

Once the pattern of Federal regulation was sufficiently well defined to assure the pipelines that they would no longer be provided that incentive, say about 1942, the pipeline organizations discontinued or certainly decreased their contribution in this phase of our industry's activities. Few pipeline companies starting operations after that time have any production of their own, relying completely upon the purchase of natural gas under long-term contracts for their needs, and the older organizations have relied upon similar purchases to augment their dwindling supply, to the end that pipeline produced gas represents a very small portion of present production.

The figures on the gas produced by some of the older pipelines expressed as a percent of gas produced and purchased for the years 1942 and 1955 illustrate the effect which the lack of economic incentive has had in discouraging their exploration for and development of natural gas reserves.

Company—	% Produced of Total Requirements *1942	†1955
Cities Service Gas Co.	38.4	.02
Colorado Interstate Gas Co.	100.0	60.00
Natural Gas Pipeline Company of America	75.3	29.00
Northern Natural Gas Co.	14.0	.00
Panhandle Eastern Pipe Line Company	52.4	26.00

*"Public Utilities Fortnightly,,—March 26, 1953—Edward Falck.
†Calculated from data on FPC reports.

This trend of purchasing gas requirements rather than developing and producing one's own reserves does not reflect an unwillingness on the part of the pipelines to cooperate in the discovery of unknown reserves; it reflects, rather, the inability to justify economically the risk of capital in such uncertain ventures with the lack of incentive to them that now exists.

Present Situation

There was a flurry of activity on the part of pipelines to again enter the exploratory field once more following the Federal Power Commission decision in the Panhandle case, where the Commission felt it advisable to again provide incentive to the pipelines by allowing them the fair field price for company produced gas.

Such activity changed to an attitude of watchful waiting when the U. S. Court of Appeals remanded the case to the Commission for further investigation to determine that the fair field price was no more than the minimum required to encourage such exploration. This formal matter of proof has so far proved to be rather exacting.

Since this case has not yet reached final decision, this problem is well the subject of the legislation provided in H. R. 8525, the proposed amendment to the Natural Gas Act now pending. Such action would remove uncertainties and delays in the inevitable search for new gas reserves essential to meeting the anticipated fuel requirements of the country. The Federal Power Commission has had an abnormally heavy work load of extremely complex cases, with still no court tested definitive standards for guidance.

Voices Note of Urgency

If this comment contains a note of urgency, it is well to consider that it averages about five to seven years from the inception of a successful exploratory program to the first delivery of gas to the market, and that the gas so produced is normally but a parcel of an adequate supply dedicated to an assured market for a 20-year period. Without such assured supply and market the pipeline company is unable to obtain a certificate of convenience and necessity authorizing a project and is unable to attract the investment capital necessary to construct the facilities. Therefore, now is none too early to start such ventures, for the gas initially discovered today is likely to be part of a volume of gas dedicated to supply a market commencing in 1962 and extending into 1982.

It might be thought by some that the transmission companies have conflicting opinions which defeat their purpose, one in maintaining that the price of gas must be reasonable, the other recommending that they be permitted to recover through rates the reasonable market price for the gas which they or their affiliates produce, an event which may increase the cost of gas to the consumer.

Contentions so made reflect a short-term concern for the consumer, one which is limited to price, while ignoring the adequacy of supply.

It might be mentioned again that adequate supply is itself a check on price, shortages beget high prices; therefore, by contribution to increased availability of supply, the pipeline organizations will be providing through their own company-owned reserves the normal check on price in a free enterprise system. However we do accept the long-term concern for the consumer interest and we historically have shown that we endeavor to maintain the cost of gas at a reasonable price level. It is as much in our interest as in the consumer interest that we do so. The transmission companies have no desire to price themselves out of the market.

Reducing Costs

As consumers we are witnessing the struggle of manufacturers to reduce unit costs of production by supplementing manpower with mechanized equipment having greater productivity than man alone. The parallel of this event in the gas transmission industry partly is the use of the larger diameter pipe, higher pressures and more powerful compressors, thereby accomplishing more work for fewer dollars spent than in the past.

This, however, is far from being our only contribution to the reduction of the unit cost of gas to the consumer. Possibly one of our largest contributions, and this we share with the distributors, is the utilization of the underground storage of natural gas near the market area served, thereby utilizing at higher annual load factors the pipeline facilities built to satisfy the market requirements on the coldest day in the winter when 16.7 million [8] house heating customers are pulling peak loads. Having met these peak requirements, the demands for house heating taper off and gas flows to the underground storage.

In the not to distant past such underground storage of gas was limited to those market areas which were near depleted oil or gas fields. In recent years consumers in market areas far distant from such fields have enjoyed the economic advantages resulting from the use of underground storage. They are doing so as a result of aggressive search near the market area, by pipelines and distributors, for geological formations capable of receiving, holding and delivering natural gas. Develop-

ment and construction of such storage facilities cost considerably less than the construction of pipelines back to the source of supply. As a result of this lesser investment in meeting peak requirements the consumer enjoys lower gas rates than otherwise would prevail.

More Storage by 1965

This year there are 188 such storage projects[8] in operation with seven[8] under construction. It is reported by the AGA Committee on Underground Storage that these 195 projects have an ultimate reservoir capacity of 3.5 trillion cubic feet[8] and at present have stored a maximum of 1.4 trillion cubic feet.[8] These projects have been constructed at a cost estimated to be $456 million,[8] and it is estimated that an additional $625 million will be spent by 1965 in further development of such projects.

Present development of these storage facilities permitted peak-day withdrawals of 8 billion cubic feet,[8] a volume capable of satisfying peak-day requirements for about 4½ million[9] house heating customers. Were sixteen 1,000-mile pipelines to be built, each capable of delivering a half billion cubic feet daily to satisfy these requirements, it would have cost about 16 x $170 million, or $2.7 billion, whereas present investment in the storage facilities is only $456 million.[8] That is quite a saving and one which reduces the rates the consumer would otherwise have to pay. This, of course, is a very generalized comparison, but it is illustrative of the pipeline's and distributor's endeavor to maintain the price of gas at a reasonable level.

Unfortunately, the house heating load sets the peaks, then tapers off to zero load in the summertime, utilizing on an annual basis only 25% of the pipeline capacity which was built to serve it. Gas flowing to underground storage improves these operations, but always the transmission and distribution companies explore ways and means to utilize those facilities at higher load factors. They always look toward the optimum 100% load factor, under which conditions costs to ultimate consumers are held at a minimum. While ideal, the optimum operating conditions are rather difficult to attain and frequently we have to be satisfied with something less. It is held by many that utilization of facilities on a 75% load factor basis represents a sound economic venture. I might add that I know of none, who may accept this 75% load factor as being reasonable, who do not strive to improve that condition through acquisition of complementary and supplementary industrial loads. It is in their interest, as well as the consumer's, to do so, for it is much easier to sell and much pleasanter to use cheaper gas.

That this concern will continue into the future is a foregone conclusion, for we of the transmission industry do not take our responsibility toward our stockholders or consumers lightly. It was interesting to see that one pipeline organization recently received a degree of publicity for the method it used in resolving the problem of whether or not to expand. This transmission company invited representatives of the distributor organizations, to whom it sells gas, to a meeting. The president of the pipeline organization explained to the group that the capacity of the pipeline was completely absorbed under present peak requirements for natural gas. He recognized that there were still unsatisfied requirements. These demands posed a problem. Should the transmission organization continue operating at present capacity, satisfying only the present markets, or should it expand its facilities? If it did expand, it was inevitable that the additional increments of gas brought to market would be more costly, the load factor less, and as a result the distributors' rates to consumers would increase. The distributors in this instance were of the opinion that the pipeline system should be expanded.

Getting Out the Facts

As I read this item, I wondered about the number of people who might be aware of the background upon which such a decision might rest. I wondered whether they might not, if the story could be gotten to them, appreciate the concern of the pipeline for the consumers and the responsibility felt toward them and to the stockholders who also must have their share of consideration—strange as it may seem.

Behind such a decision as the distributors and the pipeline made was intimate acquaintanceship with economic studies regarding present and potential markets and supply, relationships of price of natural gas with that of competitive fuels, costs of construction and operation of pipeline and distribution systems, and costs and availability of money.

We of the management groups all take such logical preparation as necessary tools for operating our businesses. Could not a broader knowledge of the methodical approach made by our industry in contemplating expansion programs dispel many uncertainties that exist in the minds of consumers and those who are concerned only in consumer interest?

I believe the consumer can understand (not necessarily like) that additional increments of natural gas brought to markets are going to cost more than that delivered through facilities constructed many years ago, just as he understands that additions to his home, additional classrooms in his schools, or additional services rendered by his government are going to cost him more.

It would be helpful if the consumer and, in some instances, the distributor could understand and appreciate these simple economic facts. When that occurs, the plain work which lies ahead for the gas industry in meeting the demands placed upon it by the consumer will become intriguing problems, enjoyable problems, really pleasures shared by all, as we seek ways and means of developing economically sound projects and gas in plentiful supply.

[8] AGA Monthly—May, 1957.

[9] Calculated—assume 1300 cubic feet peak average.

C. Boettcher II Now Partner In Boettcher Co.

DENVER, Colo.—Charles Boettcher II has been named a partner in Boettcher & Company, 828 Seventeenth Street, Members of the New York Stock Exchange, according to an announcement by E. Warren Willard, managing partner of the investment firm.

The appointment restores a member of the Boettcher family to active partnership in the firm for the first time since the death of Claude K. Boettcher on June 9, 1957.

Other partners in Boettcher & Co. are David F. Lawrence, Denver; J. Franklin Bickmore, manager of the Chicago office; Carl K. Gish manager of the New York City office; and Donald F. Brown, Denver.

A. G. Golden Opens

A. George Golden is conducting a securities business from offices at 565 Fifth Avenue, New York City.

Two With Jonathan

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harold L. Barlow and Julian F. Fleg are now with Jonathan & Co., 6399 Wilshire Boulevard. Mr. Fleg was formerly with Daniel D. Weston & Co.

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Liberty, Strength and Justice Under the Republican Banner

billion-dollar activities almost cover the country.

As to this, I will try to make several points clear.

First, no one in his right mind should ever get the idea that the nation's defenses are going to be imperiled by unwise policies, budgetary or otherwise, during the Administration of Dwight D. Eisenhower — the President in America's history qualified above all others to pass expert judgment on such matters.

Second, every one of us should clearly understand that defense readjustments are taking place not to accommodate the defense program to an arbitrarily arrived at monetary ceiling, but rather to assure that this vast program keeps within expenditure limits recommended by the Department of Defense and the President, and accepted by the Congress.

Third, I believe that every citizen, when he thinks about it, agrees that every Department of Government, including the Defense Department, must conform to budgetary goals worked out in consultation with those responsible for the service to be rendered, and then approved by the President. The adjustments you read of and perhaps have noted in various parts of California are in some respects the result of the decision that the Defense Department must, while providing for the strongest defense capability, be subject as well to the fiscal policies of the entire government.

And fourth, may I suggest that as you hear some howling over these Defense readjustments you determine, first, whether or not the complaint comes from one of those Democrat experts whose Administration defense programs ricocheted from $13 billion to $50 billion, with a war on when they left office and less strength to show from their investment than we have today; and second, find out whether or not the complaint over defense cuts comes from someone who on the other hand favors tax cuts, a halt in the rise of living costs, a balanced budget, payments on the national debt, and a reduction of Federal spending. I think that such questions will help clear up a good deal of the confusion over the present course of Defense programs.

Now, just a word about these Soviet satellites that sail over our heads and land on the front page of every American newspaper.

Some would have you believe that our country has been in a pellmell race to be the first nation in history to shoot something round into outer space. Others have insinuated that because the United States was not first, our entire ballistic missile program is in tatters and shreds and at the mercy of its possible world competition.

Well, those are wild exaggerations.

Dismisses Satellite Priority

In the first place, as the President has explained with great care, this nation rather than competing with any other nation for first place in a Sputnik race, has been working in close cooperation with the world's scientific community to put a precision instrument in outer space sometime before January, 1959, that will completely serve a host of carefully determined scientific goals. The serving of science, not high score in an outer space basketball game, has been and still is our country's goal.

In the second place, America's satellite program was deliberately, on the recommendations of American scientists, separated from missile programs, both to accentuate the scientific aspects of the satellite effort and to avoid any possibility of holding up the far more crucial missile programs. Merger of the two efforts could have produced speed but blurred both programs.

In the third place, never has the satellite program had as high a priority as the missile programs, this to ensure that obsession with the science of satellites would not delay our progress on ballistic missiles.

In the fourth place, at no time have dollar limitations of any kind held up our country's satellite program. The program has been, and it is now, proceeding on schedule. It will continue to do so in cooperation with the scientists of the world.

Now, my friends, we got on the subject of satellites by talking of our nation's strength; we got there by talking of liberty and justice on which our strength depends; and we took up those goals as a result of evaluating how very differently Republicans and Democrats go about achieving liberty, justice and strength. Along the way I have tried to make clear the utter futility of the divided Democrats, and yet how easily our country can lose our gains of the past five years.

Now, there are, as all of us know, some niggling differences in our own ranks.

Is There a Real Complaint?

I've heard the same yammer you have about modern Republicans and conservative Republicans and traditional Republicans.

I know of the heartburn caused by the size of the Federal budget —too little here, too big there, and so easy to reduce in a neighboring state.

I know about patronage pangs, about murmurings from the right and left that the Administration is too far to the left or right, and I'm hardly unaware of the affectionate references to the group known as the White House palace guard.

But hold on a minute. Could be we can profit from a little perspective.

What have all of us been trying to get done?

Well, we wanted peace. We have it.

We wanted a better, more economical defense. We have that.

We wanted a balanced budget. We're getting not one but three.

We wanted down payments on the public debt. We'll soon have $5 million worth.

We wanted taxes cut. We've already pocketed $25 billion from the biggest tax cut in history.

We wanted the government payroll cut. Almost a quarter million have been dropped.

We wanted controls off the economy. That's been done.

We wanted the shameful retreat to communism stopped. It's stopped.

We wanted honesty in Washington. We've had it.

We wanted a government we could trust. We've had that.

We wanted dignity and high principle in the White House. We've had that.

We wanted peace, prosperity and progress. We've had all three. And as for prosperity, it's been unprecedented in all our history.

You name it—and you've had what you asked for, or at least some part of it.

To be sure—not enough Federal jobs. Well, it's some solace to remember that we can take a little pride in being the Party that makes the government smaller not bigger.

To be sure—the 1958 budget was not as small as any of us would have liked. But I remind you once again that it's balanced —there's a surplus—we've had a huge tax cut and absorbed that loss of revenue—and let's not forget that this year's budget takes proportionately less of the nation's effort than any budget we've recently had.

To be sure—in the hundreds of our Party's programs there are bound to be some here and there that you and maybe some of your friends aren't too enthusiastic about. But put your particular complaints up against the accomplishments that you yourself approve of, and see what the relative values really are.

What I'm driving at is this:

Wants Ranks Closed

It's high time we started watching our step, or we are going to trip over our own feet and literally invite the two Democrat parties to take over.

Let's stop this feuding and fussing that mostly fades into nonsense in comparison with our great areas of common conviction and purpose.

I say, let's enthusiastically form ranks behind our great President in this crusade of his and ours that concerns the very salvation of freedom in America.

Here I would like to share with you, for just a moment, my own measure of our remarkable President, based on five years of almost daily close association with him.

As all of us know, words of praise flow easily and often loosely in this game of public affairs.

And yet, I say most earnestly that we have today as our President one for whom these words were coined—devotion to duty—dedication to the public good—selflessness in our country's service — an instinctive rising above any form of pettiness—freedom from narrowness, from vindictiveness, and the small meannesses that warp the judgment of lesser men — a man of great moral strength who stands by the right as he sees the right, and character-bound never to question the motives of those with whom he differs.

Endowed though he is with these qualities, yet he is the warm personality who always remembers the other fellow's birthday—who cherishes his children and grandchildren—who respects and honors his wife—who enjoys diversions common to all Americans of all walks of life—one whom we know the children of America will always look up to and say with pride, "That's my President."

So, together with our affectionate and respectful salute and good wishes to him on his birthday, let us also give thanks that our Nation has at its helm in these trying times so supremely endowed a leader as Dwight D. Eisenhower.

Eli Shama Opens

BROOKLYN, N. Y.—Eli Shama is conducting a securities business from offices at 1339 Forty-eighth Street.

Planned Estates Formed

Planned Estates, Inc. has been formed with offices at 250 West 57th Street, New York City, to engage in a securities business.

Joins Smith, La Hue

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Erle J. Orff has been added to the staff of Smith, La Hue & Co., Pioneer Building.

Mannheimer-Egan Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Francis J. Dolan has been added to the staff of Mannheimer-Egan Inc., First National Bank Building.

Continued from first page

The World of Tomorrow Is in Our Hands

missile a great number of miles.

Sees No Scientific Stunt

But at the same time we could make no greater mistake than to brush off this event as a scientific stunt of more significance to the man in the moon than to men on earth. We have had a grim and timely reminder of a truth we must never overlook — that the Soviet Union has developed a scientific and industrial capacity of great magnitude.

If the Free World is to survive we cannot rest on our past achievements or our present position of military superiority. We must constantly push forward on all fronts—military, economic and moral—if we are to defeat the very real threat which the Communist empire poses to free men everywhere.

The launching of the satellite will have rendered a signal service to the cause of freedom if only we react strongly and intelligently to its implications. Let us resolve once and for all that the absolute necessity of maintaining our superiority in military strength must always take priority over the understandable desire to reduce our taxes.

Dramatic Reminder

May I now turn to the direct bearing I believe this spectacular event has on the specific issues being considered by this Conference. No more dramatic incident could have occurred to remind both the Communist and the Free World of the increasingly terrifying aspects of modern warfare. As that realization increases, the likelihood that any nation will risk national suicide by launching aggressive war is reduced.

But if the fearful nature of modern weapons is a deterrent against resort to all-out atomic war, it is just as certain a stimulant to the Cold War. Mr. Khrushchev himself has declared that the Communists would prefer to gain their objective of world domination through methods other than military conflict. This does not mean that we should ignore the tremendous military threat posed by Russian power. It does mean that we must be prepared for an all-out Communist economic offensive to win the allegiance of hundreds of millions of people in the uncommitted world, as well as even some of those in the Free World.

The Kremlin has offered us a direct challenge. It proclaims to the world that a slave economy can out-produce a free economy. It promises to the developing areas of the world that the Communist system can do more for them in a shorter time than the system of private enterprise which is the economic basis of the Free World. And the spectacular success of the satellite project is being held up as proof of the superiority of the Communist system.

As far as the average citizen is concerned, the record fortunately is on our side and not theirs. The contrast between the record prosperity of Western Germany and the dismal poverty of Eastern Germany most eloquently demonstrates the superiority of a free society over the Communist system in producing the material well-being which the Communists have so long claimed as their special province.

Meeting the Challenge

We believe that free men in the long run will out-plan and out-produce a slave economy. But we cannot ignore [illegible] tator state, as recent events prove, can in the short run achieve spectacular results by concentrating its full power in any given direction. That is why the challenge we face in the economic field is one which it would be folly to underestimate.

This is particularly true in view of the fact that the Communists are concentrating their efforts on the newly-developing countries of Asia and Africa. These people are now in revolution, not a political revolt, but a world revolution of people's expectations — the assertion by all peoples of their claim to a greater share of the world's goods. The spirit of this revolution is evoked by two words, growth and industrialization, with the almost universal belief that the second is the key to the first.

In the course of this revolution, the steel mill and the hydroelectric plant have come to seem much more than economic needs. They have become symbols of the pride and hopes of whole nations. And for thoughtful men anywhere in the Free World the question must be faced: How may these hopes find reasonable fulfillment?

The Communist World is willing to promise that it will help fulfill these hopes. It will do this in spite of its own desperately low standard of living. It is a known fact that Communist leaders will impose any sacrifice upon their own people in their quest for world power. And their recent scientific triumph shows that, in the short run, they have the skill and resources to do what they consider important.

Why We Must Render Aid

We know, of course, that such aid will be short-lived and deceptive. But if it succeeds in extending Communist rule throughout Africa and Asia, the Kremlin will have assured its victory in the battle for the world. It can use police power to keep these peoples in subjection. It will then control their immense wealth in oil, uranium, copper, and many other materials essential for the economic life of the Free World. The Western World will be forced to surrender without the firing of a shot.

This is a real threat — not so dramatic or spectacular as Sputnik and the ICBM—but in my opinion potentially more dangerous in the long run. We dare not ignore the military threat that these events have posed, but it would be equally folly to ignore the economic weapons that have been mounted against us. The first may never be used; the second certainly will be used.

I am confident that we can meet and defeat this challenge provided we base our policies on the fundamental principle which is the generating force behind this Conference—the recognition that the most productive source of economic progress is private rather than government enterprise.

The private initiative, the private responsibility, and private capital which you represent are the motors of economic progress. The economic growth which you can generate is vital to the future of the whole Free World.

I say this fully recognizing that there has been and is an important place for government action. Ever since the war, the U. S. Government has conducted the most enormous peace-time banking operation in the history of government finance. The total of our grants and loans abroad in that period is nearly $60 billion. In- [illegible] in the handling of so huge a sum.

Defends Foreign Aid

But, on balance, it was anything but wasted. It has protected and raised standards of living in a period of costly rearmament. It laid the basis for the vast expansion of trade at a time when markets were wrenched from their traditional patterns by Communist violence. It has helped to hold the Free World together at a time when Communism was doing its best to tear us apart. It was and is an achievement of which Americans can be proud.

But government capital is in a sense crisis capital. It will have a vital role to play as long as the world crisis is with us. Wherever it has an opportunity to strengthen free economies against the shoddy temptations of Communist trade or the menace of Communist subversion, I believe we should use this weapon of government finance as boldly as Congress will permit.

However, we must recognize that government aid cannot possibly meet the problem with which we are confronted. The total amount of investment which must flow from capital surplus areas like the United States to capital deficit areas during the next few years must substantially increase, rather than decrease. The only source of investment funds that can be greatly expanded is private capital. It is consequently the only source that can possibly meet the need.

Limits to Government Aid

There are limits to what government can do. There is partly the limit imposed by budgetary problems. But above all there is the limit imposed by our conviction that free private enterprise is the preferable medium for aid for the newly-developing countries.

In many nations, the pattern of economic development is being shaped for a century ahead. If this pattern is statist, then human freedom will be the loser. Concentration of power is one of the great problems of our day.

Freedom is essentially personal. It is exercised only with great difficulty through impersonal groups. For this reason, it is vital that newly-developing economic systems, so far as possible, follow a pattern that fosters rather than limits human freedom.

Private capital has other merits which government capital lacks. It is the kind of money which, in the old Roman phrase, has no smell. Its home government cannot order it to be spent in one country rather than another, and cannot attach political or diplomatic strings to its uses.

It carries no ideology with it, other than the reason-ble expectation of safety and profit. But it does carry something else with it: Brains. The managerial skills and imagination of private capital are the best assurance that it will in fact cre-te the new wealth that both lender and borrower are aiming at.

We need a spectacular increase of investment by American and other businessmen directed especially to the developing nations of the world.

Suggest Private Investment Goal

What should the goal of private capital in the United States be in this field? Last ye-r American new investment abroad totalled almost $4 billion. This amount seems large, but if the United States were investing abroad the same proportion of our national income that Great Britain invested abroad in 1910 we would be investing, not $4 billion a year, but nearly $30 billion.

I do not suggest that we could recapture the world of 1910 even if we wanted to. But certainly it is not unreasonable to set as our goal doubling or tripling American investment abroad in the next 10 years. But we cannot expect this to happen automatically.

There are certain things which the United States can do, that the governments of countries in which money is to be invested can do, and that American businessmen abroad can do to stimulate the increase in foreign investment the world needs.

First let us consider what steps the capital deficit nations can take to encourage private investment from abroad. There must be at the outset recognition of the fact that the world shortage of capital which evidences itself in rising interest rates has forced a sharp measure of competition for the capital which is available for foreign investment. Any government that is serious about wanting private capital will necessarily enter this competition. It can set the conditions which will either induce that capital to flow or stop it cold. It can treat foreign capital as something between a public enemy and a necessary evil, or it can make the kind of rules under which private capital can do its best work.

Investment Climate

Let me give an example. Whatever one may think of Premier Nasser's right to "Egyptianize" the Suez Canal—and our government has not disputed his right—it cannot be denied that he made Egypt less attractive to new capital than it was before. In contrast we see the results in countries like the Netherlands, Northern Ireland, Mexico or our own independent Commonwealth of Puerto Rico, where the governments have set up active and efficient bureaus and hospitable policies to promote and welcome foreign capital, and as a result are getting more of it than ever before.

The Government of the United States would never presume to tell any other government what its policy should be toward foreign investment, but the owners of private capital will inevitably take note of the investment climate before moving abroad.

Let us now see what the Government of the United States can and should do to encourage private investment abroad. I would suggest the following as a minimum program for consideration:

Encouraging Private Capital

The economic sections of our embassies abroad should be upgraded and strengthened both in quantity and quality. Every American Embassy should be staffed with qualified personnel who can devote an adequate amount of their time and energy to the active promotion of policies which encourage private investment.

When tax revision becomes feasible, the Congress should pass a tax reform which the President has twice urged. He would extend to investors in other parts of the world the 14-point income tax credit for which Western Hemisphere Trade Corporations are already eligible.

The Congress should also consider the feasibility of passing a tax reform similar to one adopted by the United Kingdom a few months ago. This would defer U. S. taxes on income and profits earned entirely abroad until they are actually paid in dividends to the stockholder or the parent company. It would give American overseas traders and investors the same encouragement some of them now seek by incorporating abroad. It would immediately increase the funds available to such companies for additional foreign investment, yet in the long run the U. S. treasury and foreign treasuries would also gain by the tax on income from a larger investment base.

We should channel more of our governmental financial operations abroad through private investors and enterprisers, U. S. and foreign. Specifically, Congress could require (instead of permitting as at present) that at least 25% of the foreign currencies we now acquire under our agricultural aid program be made available for loans to U. S. business in those countries.

The new $300 million developmental fund should be set up in such a way that in its administration and policies it does not become merely a pale carbon copy of either the Export-Import Bank or the ICA. The Administration and the Congress intended that this fund fill a function which is new and distinct from those being served by existing agencies. Its primary purpose should be to channel funds into private enterprises which cannot satisfy the borrowing requirements of the Export-Import Bank.

We should initiate through international organizations such as the World Bank, studies which could examine the feasibility of setting up a privately-operated international investment guarantee fund. Its object would be to protect both present and future investments from the hazards of expropriation, devaluation, blocked currencies, and similar risks.

Pass Reciprocal Trade and OTC Acts

Because trade is the great generator and vehicle of the capital the world so badly needs, the Reciprocal Trade Agreements Act should be extended for at least five years when it comes up for renewal in the next session of Congress. This action would demonstrate permanent and expanding interest of the U. S. in world trade. Whether in order to get paid for our exports, or to get a return on our investments, or simply to assure ourselves of the most economical source of raw materials, the U. S. must become an ever larger importer. The Reciprocal Trade Agreements Act is our best assurance that these imports will be accessible to us on a fair and non-discriminatory basis.

For the same reason we should complete our membership in the Organization for Trade Cooperation. This organization, which the U. S. helped to found, is a place where the established system of multilateral tariff bargaining and the rules of trade reciprocity can be recorded and systematized. It asks nothing of us that we have not already been doing. Not to join it would be an act of gross self-deception and would mislead the rest of the world as to our real interest and policy.

We should pass legislation, long since recommended by the President, to simplify certain antiquated and unjust methods of valuation in our customs procedures.

So much for what governments can do. There are also certain obligations that private investors should assume if they are to share in the increased opportunities of investment abroad.

Their operations must be based first of all on the 20th Century principle that the primary purpose of foreign investment is to create new wealth rather than to exploit a newly-developing country.

American personnel abroad should always be trained to be Ambassadors of good will as well as competent technicians.

The training of foreign nationals to assume managerial as well as subordinate responsibilities should be given top priority.

I would not suggest that these proposals I have recommended are all inclusive. But the adoption of such a program could provide the necessary stimulus for a dramatic expansion of private

investment and trade throughout the world.

We Must Choose

The world of tomorrow is in our hands.

It can be a world of peace, with political freedom, economic growth, and the steady abolition of world poverty.

But it can also be a world of hatred and suspicion, perpetually on the verge of war.

It can be a free world, or it can be poisoned by statism or totalitarianism.

It can produce for the needs of families, or it can produce for the needs of armies.

The choice between these two worlds must be made by our own generation. If freedom loses, it may be a century before it can be regained. We ourselves may be starved for essential raw materials and crushed without a single warlike act.

America can never again live in isolation. Either we march into the future, together with other free nations, into a world of peace and prosperity, or we decline into obscurity and failure, as a people who had not the vision to see the world as it is, or who had not the courage to face up to duty.

The very fact that this Conference is being held proclaims to the world that the forces of freedom have the strength, the vitality, and the determination to win the great struggle for the world.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—David C. Edwards has been added to the staff of Francis I. du Pont & Co., San Diego Trust & Savings Building. He was previously with Holton, Hull & Co.

Western Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Alan J. Artach has joined the staff of Western Securities Corporation, C. S. Johnson Building.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Gerald Fesenmaier and Frank J. Schnobrich are now with State Bond & Mortgage Co., 28 North Minnesota Street.

Creston Funk, Hobbs Formed in San Antonio

SAN ANTONIO, Tex.—William G. Hobbs, Jr. (left) has become associated with Creston H. Funk and Company as Executive Vice-President, according to Creston H. Funk (right). The firm name has changed to Creston H. Funk, Hobbs and Company.

Mr. Hobbs has spent many years on the investment securities scene and is well-known nationally, being current Chairman of District 6, National Association of Securities Dealers. District 6 includes a major portion of the Great Southwest (all of Texas) and is one of the largest districts in the Association.

Mr. Hobbs came to the San Antonio, Texas firm from another Alamo City investment business, Russ and Company. He is also a director of Jack Ammann Photogrammetric Engineers, Inc. in San Antonio.

A Chicagoan by birth, Hobbs is a graduate of Northwestern University's school of commerce. He was with two Chicago firms before making San Antonio home.

Professionally, he is a member of the Midwest Stock Exchange. Active in civic and service affairs, Hobbs is a member of the San Antonio Petroleum Club, San Antonio Country Club, the San Antonio Club, The Argyle Club, Bond Club of Chicago, Municipal Bond Club of Chicago and Bond Traders Club of Chicago.

Creston H. Funk will continue to serve as President under the new firm name of Creston H. Funk, Hobbs and Company. Mr. Funk has been in the investment securities field for 30 years and has headed his own company since 1945. He is a Past Chairman of the Texas Group, Investment Bankers Association of America. Firm offices are 907 Frost Building, San Antonio.

Continued from page 13

Stock Margin Credit Control Hinders Our Economic Future

long- or short-term investment purposes.

The Logic of It All

This last finding probably will not fit many pre-conceived notions about margin purchases. But the overwhelming majority of those using credit are thus dramatizing a fact that is tremendously important for all of our people to understand. It can be summed up this way: **if it is all right for a man to obtain credit for the things he wants today—a new car or an appliance—then it is equally proper and often wise for an experienced investor to borrow reasonably to invest for tomorrow—when his object may be a retirement income, an estate for his family, or an education for his children.**

Indeed, I sometimes wonder at our sense of proportion. A man can borrow up to 75% to buy a car, 100% to buy a washing machine, and 94% to buy a house. But he can borrow only 30% to buy an interest in the company that makes the car, the washing machine, or the house. We have made it much easier to borrow in order to spend, than to borrow in order to save.

This parodox leads to a final question I want to place before you. How is our emergency credit brake — our margin control — working? What is its effect?

The problem has become increasingly important because we are witnessing a serious gap between the way margin controls are **designed** to operate—and the way they actually **do.** Let me clarify this.

On six occasions since early 1945 the Federal Reserve has ordered higher initial margins to slow down public borrowing. Well, stock market credit does not operate in a vaccum. Hence, in order to study the consequences of these margin increases the Stock Exchange has analyzed not only the course of market credit, but the course of prices and of volume as well. Our studies cover periods extending from six months before to six months after each increase.

Admittedly, our research is subject to two major qualifications. For one thing, obviously no one knows what **might** have happened to market credit, prices or volume had m a r g i n s **not** been changed when they were. Nor, can our findings completely isolate the impact that general credit controls, the trend of business or the public's state of mind has had on the course of the market.

Nevertheless, the results of our studies are apt to surprise you.

In Tight Money Period High Margins Appear Superfluous

We found, first, that as a general rule unless margins were put at 100%, which prohibited new borrowing altogether, margin increases actually had little effect on the public's borrowings—or on the course of stock prices. But, we also discovered that when **general credit controls** were tight —as they have been for the past two years — **customer borrowing** leveled out noticeably. It is thus my conviction that it is the Federal Reserve's tight money policy and not the selective credit control of margins that has restrained stock market credit so effectively. Up and down the line interest rates are higher, and money is harder to get. An this condition has proved the decisive factor in limiting the borrowing by securities industry customers. Today, general credit controls continue as the most effective brake on the amount of credit flowing into the market. They have tended to make high margins largely superfluous as a **credit** weapon.

But what happens to stock market volume when margins are increased? Here, the story has been sharply different. For under the impact of higher margins, volume dwindles—in some cases as much as 25%. And while the Exchange has added one and one-half **billion** shares, or 44%, to its list since the last margin increase in April, 1955, we have seen the spectacle of volume dropping from a daily average of 2.7 million at that time, to 1.9 million in August. The Exchange's total volume in August, in fact, represented an annual turnover rate of only 11% of shares listed. This is only two-thirds the turnover rate of the post-World War II period, and only one-eighth the rate of the post-World War I decade.

This dwindling volume is not a matter that concerns only the securities industry. The public, too, is involved in the chain reaction that follows. For one thing, low volume lessens the liquidity of the market. For another, it throws a damper on the willingness and ability of corporations to raise new money through stock issues. Both these points are crucial to our economic future. Both need a word of explanation.

As for liquidity, it has often defied description. But have you ever wondered why orders on the Stock Exchange can be executed quickly, conveniently and inexpensively? Or wondered why you can usually buy or sell listed stocks at prices so close to the last price—often at a change of only **one-eighth** of a point? The answer is that there are a sufficient number of buy and sell orders present to make this possible. Take away some of these orders and you damage the speed and regularity characteristic of the auction market. Your assurance of a price close to that of the last transaction is lessened. Lose these qualities—which are the essence of a liquid market—and you will have affected the immediate economic well-being of more than 8½ million individual shareowners, and some 115 million people who are indirect owners through their institutionalized savings.

This, then, is our stake in a liquid market—but it is only part of the story. We are also faced with the job of providing a higher standard of living for a population that has figuratively exploded. This will require enormous capital investment over the years. Great sums must be raised through new common stock issues. And there is growing concern, in the face of diminished share volume, whether secondary markets can offer the liquidity necessary to make such securities attractive. There is much justification for this concern. And you might wonder, what can be done?

Reduction Will Provide Added Liquidity, Encourage Investors

Well, there are no new or simple solutions. But that is not the same thing as saying there are no solutions. Changes in our archaic tax structure — such as easing the capital gains tax and the double tax on dividends, which are inhibiting investment—would help. And certainly, in the area of credit, the course I would follow would be dictated largely by the points I've covered.

In summary, I would recognize first, that stock market credit represents a vital though infinitesimal part of our total debt picture—and there is every evidence that this credit is being used wisely. It is certainly not contributing to inflation.

Second, I would proceed with the conviction that general credit controls are—and will continue to be—the most effective brake in controlling any excessive market credit. This is no more than acknowledging the fact that if money is tight everywhere, it will be tight in the stock market as well.

Third, I would be moved by the evidence that present high margin requirements are having their greatest impact **not** on stock market credit, but in an area they were not designed to affect—**on stock market volume and liquidity.** Thus, the pressure exerted by the selective control on margins, piled on top of general controls, is much like our trying to take the curves with both the foot brake and the emergency brake jammed on.

As a result, I am convinced we must look to the time in the near future when the emergency brake can be released and margins can be reduced to a normal 40% to 50%. I am not so much interested in a specific date on the calendar. But I am interested in establishing clearly that general credit controls can effectively regulate stock market credit, and that the superimposition of high margins is accomplishing no constructive purpose. Indeed, it is doing the opposite. The effect of lower margins, I am sure, will be to provide added liquidity to the market, added incentives to investors and added encouragement to companies seeking growth money.

With Putman Management

BOSTON, Mass. — John L. Thorndike has joined the staff of The Putnam Management Company, 60 Congress Street, manager of The George Putnam Fund of Boston, "balanced" mutual investment fund. He was formerly with the Boston office of Tucker, Anthony & R. L. Day.

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As We See It

and despite evidence of startling Soviet advances in military capability—the Administration has scaled its 'minimum' program downward time and again.

* * *

"There is no cheap or easy road to security in a nuclear age. But the national security of the United States is the first and overriding charge on its resources. The level of necessary defense expenditures should be determined by the requirements of that security."

This needless to say is not the tenor of the words of these same critics, or at all events of the party represented by these critics, last January when the President submitted a budget which shocked many people and seemed to offer the opposition an opportunity to gain votes by charging reckless expenditures. Of course, all that is necessary for our safety should be spent on defense—who would deny it?—but one gains the impression from this rapid change in the nature of its complaints that the Democratic leadership is chiefly concerned with winning votes rather than radical changes in the way things are actually being run in Washington.

Then turn to another phase of this defense question—foreign aid. Here is what the Council has to say on the subject:

"The Administration has given the impression that its interest in foreign nations lay only in gaining military allies and forward bases, and that economic interest was only in furtherance of military ends. This is not Democratic policy. Fundamental to that policy is the conviction that a free world system in which nations can pursue their own development free of Communist entanglements requires economic opportunities. Most important, it requires that nations which are ready for industrial development by having managerial and technically competent people shall have the opportunity to get the capital requirement by foreign investment and aid rather than by attachment to Communist systems and totalitarian methods."

Rather typical New Deal Democratic doctrine this is, full of half truths subtly enticing to the unthinking, but the stark economic fallacies of the party's thinking comes clearly to the surface in sentences which follow. Here they are:

"The pressure from their peoples on these governments to advance demands progress one way or another. The supplying of heavy equipment from the West, in many or most cases by loans, increases the West's industrial base, a most necessary result in the face of rapidly expanding Soviet industry. So the developed countries of the West and the underdeveloped countries of the free world have vast interests in common. If these interests are seen and urgently met we gain immeasurable strength, just as Western Europe gained by its development of North America. The policy which is based on these truths is not merely foreign aid. It is domestic sense. Without it there can be no free world system of states."

This is obviously nothing more or less than a restatement of the familiar New Deal advocacy of casting our bread recklessly and blindly upon the waters in the naive hope that somehow it will return to us many-fold. Plain commonsense and any careful reading of recent history should very quickly expose the weakness of such reasoning as this. Whatever the faults of the present Administration—and, of course, it has plenty of faults—we can hardly grow enthusiastic about replacing it with one dominated by such ideas as these.

And more of the same order emanates from spokesmen of the party that for so long proceeded upon "spend-and-spend-and-spend and tax-and-tax-and-tax and elect-and-elect-and-elect assumptions." This Alice-in-Wonderland account of our present position and potentials again makes it clear that the leopard has not changed his spots:

"The Administration's assumptions that our economy will not sustain greater defense and foreign development expenditures than it recommends is grossly in error. The productivity of the American economy permits sizable additional defense expenditures to maintain security and liberty in the free world.

"The dominant feature of our economy since 1933 is that great new resources—factories, supplies of materials and production and distribution channels—have come into being. These resources, together with the increase of population, work force and productivity that our dynamic technology provides, given wise and forward-looking national economic policy responsive to the Employment Act of 1946, should give the nation each year a substantial increase in real national product.

"The increase in national product, brought by these new resources and forward looking national economic policy put it well within our capacity to strengthen national security and to meet both our international responsibilities and the needs of our own rapidly growing population.

"To say that greater expenditures wisely made weaken our economic structure is quite untrue. To base our foreign and defense policy on such fears and ignorance inivites the fate which usually overtakes the timid and the weak."

And then a day or two later, turning to our domestic affairs, this Council takes great pains in another lengthy indictment of the Administration to leave no one in doubt that it and the Democratic party are still New Deal through and through.

We may as well face the unpleasant fact that it does not lie in the mouths of Democratic leaders to offer constructive criticism of the Administration since its chief fault is found in the circumstance that it has proceeded too much as if it were the direct heir of Franklin Roosevelt—as if it were in point of fact a Democratic regime! We can only hope that the great rank and file will awake to the facts of this situation before it is too late.

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The Communists Also Have Their Problems

before. In 1955 he was forced to confess his incapacity and Khrushchev took over, committing himself, like his predecessor, to the collective rule formula.

Then, last June, the inevitable irreconcilable conflict of opinions emerged, the collective broke down and, with the approval of the military, in particular Zhukov, Khrushchev eliminated his rivals—Molotov and Kaganovich, who really felt that the old Stalinist and foreign policies were preferable, and Malenkov, who due to his relative youth, political experience, and apparent popularity, was a dangerous potential rival. At the moment, Khrushchev is busily engaged in implicating Malenkov in the crimes of Stalin's later days, classing him as "shadow and tool" of Beria. Since Beria was shot for treason, the threat to Malenkov is naked enough for all to see.

So the history of Soviet Governmental changes repeats itself, although in a slightly different pattern from that of the two previous decades. Those recently purged have not yet been liquidated like Beria or eliminated by mock trials such as those of the late 1930's. With a touch of almost sardonic humor, the miscreants have been assigned to the oblivion of Siberia or the darkness of Outer Mongolia.

It was the hand-picked Central Committee of the Communist Party, with the backing of the Army, which played the decisive role in last summer's changes in the high command. This suggests that the Presidium on its own can no longer deal with recalcitrant members, at least in a situation where the issues are closely drawn and where those to be eliminated are not in a hopeless minority.

Changes Are a Camouflage

The claim that the purpose of these changes was to get back to the pure Leninist Communism of the past is camouflage. No differing theories of Communist and Marxist dogma played a decisive role in this struggle. It was a question of power politics in a situation where hard decisions had to be made in both the domestic and foreign fields. There were in fact very deep and fundamental divergences of views among the members of the Presidium and the collective failed to function because the differences were not susceptible of compromise.

Dividing Issues

Three main issues divided the Soviet leaders. The first concerned the decentralization of industry.

After years of extolling the virtues of a centrally planned economy, some of the Soviet leaders have recently begun to stress the need of local initiative to improve efficiency at the plant level. By the use of local resources, it was hoped to ease the burden on transport facilities, minimize duplication of effort and stimulate managerial initiative. Acting on these theories, Khrushchev recently forced through a program to decentralize away from Moscow many elements of control of the great Soviet industrial machine, in the most sweeping reorganization of the economic management machinery since the first Five Year Plan was adopted in 1928. Some 27 specialized economic ministries in Moscow were abolished and replaced by 105 regional economic councils.

Last June, several of Khrushchev's colleagues tried to reverse all this.

The reason for the reorganization is readily understandable if one tries to conceive of the bureaucratic mess which we would have if we attempted to manage from the Capital all the details of a growing industrial complex more dispersed geographically than that of the United States and approaching one-half of its size.

There should be eventual economic benefits from the decentralization, but Khrushchev's plan will create as many problems as it solves.

A long period of transitional confusion is certain while new administrative command and coordination channels are worked out. In the longer run, there is the danger for the Soviet Union that a kind of economic provincialism will develop to threaten the dominance of the central government.

The reason for the bitter fight against this reorganization by many of Khrushchev's colleagues is clear. The decentralization will remove some of the power from the central government in Moscow and transfer it to the provinces. Here only two members of the Presidium are in a position to exercise real influence, Khrushchev, through his control of the party machinery throughout the Soviet Union, and the military, presently represented by Marshal Zhukov.

Agricultural Problem

The second issue dividing the Soviet leaders in June last was the agricultural problem, often called the Achilles heel of the Soviet system. Khrushchev has been pressing for ever-increasing areas of State-controlled farm lands, on the pattern of the huge development he had started in the so-called "virgin lands" east of the Caspian, in order to make good the shortcomings of Communism's greatest fiasco—the collectivized farm system. This involves some 80-100 million acres; larger than the entire wheat acreage of the United States.

For many years Soviet emphasis on heavy industry and military strength drained manpower and capital investments away from the farms, making agriculture the stepchild of the Stalinist economy. In contrast with the rapid growth rate of other parts of the Soviet economy, for the past 20 years Soviet production of agricultural commodities has failed to increase as fast as the population of the USSR.

After all, soil conditions, rainfall and temperature do not favor the Soviet Union despite its vast area. Less than 10% of the country is likely to produce reasonable agricultural yields in normal years. Moreover, the combination of bureaucratic mismanagement, and Communist neglect of the motivating force of personal incentives had resulted in an inefficiency of farm labor so great that it takes about one farm worker to feed and supply every four persons in the USSR, whereas the ratio in the United States is about one for every sixteen persons. Hence, 45% of Soviet labor is on the farms as compared with 10% of American workers.

Khrushchev's responsibility for the policy of investing heavily in the semi-arid, agriculturally marginal "virgin" lands is very great. So far he has been lucky, with one excellent crop and one fair one. This year (1957) promises to be only fair and there is no doubt that many Soviet leaders fear a major crop failure as the moisture is used up in the new lands. Even Mikoyan, who has stuck with Khrushchev so far and now is probably the number two man in the party, is said to have been dubious about the "virgin" lands program.

The final success or failure of the program is still to be determined and Khrushchev's personal reputation is deeply involved. He has promised his people equality per capita with Americans in milk and butter by 1958 and in meat by 1961. This latter would involve an increase of 3½ times in Soviet meat production which, to say the least, is an ambitious program, even taking into account the noted fertility of the rabbit, which is included in the Soviet calculations as well as their claimed ability to produce a larger number of twin lambs.

USSR Foreign Policy

Finally, a third point at issue between Khrushchev and his opponents lay in the related fields of foreign policy and policy toward the European Satellites. Here Khrushchev was attacked by Molotov and his followers for having weakened the Soviet position by his policy of reconciliation with Yugoslavia and by his Austrian settlement. He was, in fact, vulnerable to the charge of having opened the flood gates to revolt by stimulating support for the doctrine of "differing roads to Socialism," a heresy that is now threatening the monolithic structure of the Soviet empire.

For a time during the Hungarian Revolution, the ranks in the Soviet leadership had closed and Khrushchev personally as well as his opponents must bear

the responsibility for the ruthless intervention in November, 1956. The scars of dissent remained, however, and in the indictment of Molotov by the Central Committee, his Yugoslav and Austrian policies are the subject of particular criticism. Hungary goes unmentioned.

Moscow's future policy toward the European Satellites remains unresolved. Though Molotov was vigorously attacked for his mistaken attitude, Khrushchev, since the Polish and Hungarian revolts, has feared the contagious influence of granting more freedom anywhere. Certainly none of the Soviet leaders cares to remember the precepts of Lenin who had this to say in 1917:

"If Finland, if Poland, if the Ukraine break away from Russia there is nothing bad about that. . . . No nation can be free if it oppresses other nations."

These were the major issues on which Khrushchev fought for, and by an eyelash won, the leadership of the Soviet Union.

Other Burning Problems

There are many other burning problems facing the new group ruling the Soviet Union.

First of all, they have the problem of East-West contacts, which for propaganda purposes at least they strongly claim to favor. Can the leaders really permit the people of the USSR to have knowledge of the facts of life? Do they dare open up to the press, to radio, to television?

Except for certain supervised and guided tours, the answer to this so far seems to be "no." We can guess how frightened they are from their panicky warnings to Soviet youth about being deceived by the words of the American boys and girls who went to Moscow recently for the big Soviet Youth Festival.

Similarly, they do not dare publish such documents as the Khruschev secret speech, the U. N. report on Hungary, nor the basic attack on Communist doctrine by the Yugoslav, Djilas, in his recently published book, "The New Class."

Instead of dealing with such criticisms openly, Soviet leaders try to sweep them under the rug and keep their own people in the dark.

New Novel

There was recently published in Moscow a highly realistic novel, with the eloquent title **Not By Bread Alone.** It evoked great popular interest in the USSR because it showed some of the seamier side of political life and bureaucracy in the Soviet Union today. All the big guns of the Soviet regime began to fire at the author, Dudintsev, and Khrushchev himself recently lambasted the book as misguided and dangerous. It is significant that they have not yet banned it. Probably they were too late in realizing its subtle attack on the foundations of the Communist system.

By and large the bulk of the Russian people still live in a dream world about everything outside the USSR, and the most tragic part about this is the distorted facts and fancies the Soviet leaders give their own people about the allegedly hostile attitudes of Americans toward them. The exchange of a few controlled traveling delegations is not enough. The barriers to information and knowledge must be torn down.

The Soviet leaders also have to deal with the problems created by their own educational system and by the development of an industrial and technical elite. Under the lash of its pell-mell industrialization program, the USSR in the past decade has enormously speeded up the education of the Russian people, particularly in the scientific and technical field. As a result, the USSR is turning out hundreds of thousands of graduates of schools corresponding to our high schools and colleges.

Science Education

It is true that in their educational system they emphasize scientific and technical fields much more than social sciences and the humanities. But knowledge is not inert substance. It has a way of seeping across lines and into adjacent compartments of learning. The Soviet leaders, I firmly believe, cannot illuminate their scientific lecture halls and laboratories without also letting the light of truth into their history and economics classrooms. Students cannot be conditioned to turning off their analytical processes when the instructor changes a topic.

Student and intellectual unrest is a troublesome challenge to a dictatorship. The Chinese Communists experimented briefly with placating critics by liberalizing their thought-control system — enunciating the doctrine known as "let a hundred flowers bloom, let a hundred schools of thought contend." In the face of the far-reaching criticisms promptly voiced by Chinese intellectuals, the Peiping regime quickly reversed itself and has only a few weeks ago resumed the practice of publicly executing students who dared to suggest that China's ills result in part from flaws in the Communist system itself.

The education which Soviet and Chinese Communist leaders give their people is a dangerous commodity for a dictatorship. Men and women who have their critical faculties sharpened are beginning to question why the Russian people cannot be freed from rigid Communist Party and police-state discipline, given a greater economic share of the fruit of their labors, and allowed to participate—at least by an effective expression of consent—in their own governing.

In the past the Soviets counted particularly upon their ability to appeal with success to the youth and the students. In 1905 Lenin wrote, "We are the party of the future but the future belongs to the young. We are the party of innovation, and it is to the innovators that youth always gladly gives its allegiance. We are the party of self-sacrificing struggle against the ancient rot, and the young are always readiest for sacrificial combat—and we shall always be the party of the youth of the advanced class."

That proud boast could not be made today. The Hungarian students were ready for combat, but **against** the Soviets, not **for** them. The deep disillusionment of the Polish youth with the Soviet-imposed version of Communism can be read in their brilliantly edited publications, and in spite of Soviet censorship there is evidence that they are read eagerly by those who can obtain them in the Russian universities.

The Soviet Government can still organize massive propaganda circuses like the recent Moscow Youth Festival. They can train an ever increasing number of young scientists and technicians. They can bribe the ambitious with the rewards of power and special privilege in the swollen bureaucracy. But they are finding it increasingly difficult to enlist in their cause the self-sacrificing and idealistic young men that Lenin once so counted on and who are the real motive power of successful revolutionary movements.

Technical and Managerial Elite

The Soviet leaders also have the growing problem of the technical and managerial elite which has been created to run Soviet industry—now being decentralized. It will not be easy to restrain this class of people from using its critical skills to question the cumbersome governmental and Communist Party bureaucracy and what it is doing—or not doing—to give the members of that elite a better life.

Probably it is out of respect for the growing perceptiveness of the people of Russia, and at least out of recognition of popular yearning for peace, that Soviet leaders have been forced to give lip service to disarmament, another grave problem before the Moscow leaders. Now that the issue of conceding some form of inspection and control in the USSR is squarely presented, they are hesitating. This prospect goes against every tradition and instinct of the secretive and suspicious Communist dictators.

These are some of the practical issues which Khrushchev now faces. There is no easy solution. After all, dictatorships, whether of the Stalin or of the Hitler type, can for a time exact great sacrifices from their peoples and achieve great materialistic accomplishments. In fact, for a limited period, it may be easier for a dictatorship to make steel than bread and butter—easier to build a mighty war machine than to satisfy the moral, spiritual and material needs of a great and diverse people. This is certainly the case with the Communist dictatorship in the USSR.

No Internal Solution

Today Communism is more valuable as an article of export than it is as a solution for the problems of a country like the Soviet Union, which is making great strides in fields of material progress, but which has still found no way of creating a government which can meet the needs and aspirations of its people.

Undoubtedly in many areas of the world, particularly those recently freed from Colonial rule, the image of Communism still has an appeal. It seems to combine the advantages of strict discipline at the top with the promise of quick industrialization. These factors appeal to new nations struggling with the task of making a government work among peoples who have had little experience with it and who at the same time have the desire to become quickly an industrial force in their own right.

The politically unsophisticated peoples of the underdeveloped nations have yet to learn what the peoples of the Communist world are slowly coming to understand about Marxism and industrial growth. Djilas, the Yugoslav Communist heretic, put it well:

"Modern Communism began as an idea with the inception of modern industry. It is dying out or being eliminated in those countries where industrial development has achieved its basic purposes. It flourishes in those countries where this has not yet happened."

In fact, I would add to this that the force of ideological Communism seems weakest in those countries like the U. S. S. R., where it has been the longest in control. It has its strongest appeal to the minds of these peoples in the underdeveloped areas of the world where they have had no practical experience with it.

Viewed in broad perspective, Communism is only one of the many great revolutionary movements that have swept into world history. Such movements seemed to combine an ideology or a faith expressed as a program of action; and a discipline through a political or military machine capable of organizing the energies of the people in order to carry out the ideas that have captured their imaginations and loyalties.

I realize that historical analogies are notoriously treacherous. But there may be food for thought in comparing the evolution of Soviet Communism with the classical periods of revolutionary movements. Possibly the closest parallel in history is with the French Revolution.

Depicts Parallel

The pattern seems to be this: the intellectuals desert their political institutions and adopt what they call a "Reform Program." Then revolutionary elements take over from the intellectuals and seize power, generally beginning with the moderates of the Danton type, and passing through the extremists like Robespierre, with a reign of inhuman zeal and terror. Successive groups of leaders are destroyed with each change in the tempo of the revolution. As Vergniaud said in the course of the French Revolution, "The Revolution, like Saturn, devours its own children." Eventually, human nature rebels and demands a more normal life. Then the practical political and military leaders depose the extremists.

Finally, in the case of the French Revolution, there was the temptation, to which they quickly yielded, to indulge in foreign military adventure, and—eventually the access to power of the military man on horseback, Bonaparte. There is, naturally, considerable speculation these days as to whether this last phase of the French Revolution will be repeated in the case of Soviet Communism. I have no crystal ball answer, but certainly military dictatorship is one of the possible lines of evolution in the Soviet Union.

From this analysis of developments in the Soviet Union, it is fair to conclude that I believe that the old Communist dialectic of Marx, Lenin and even Stalin does not answer the problems of the Soviet Union today—either those of its industrial growth or of its lasting control over the great peoples living within the Soviet Union.

What Will the Answer Be?

It would flow from this that Khrushchev and whoever he may associate with himself in the leadership, assuming he keeps his control for a time, will have to determine how they are going to accomplish this dual task. Will they meet it by further relaxation, thereby increasing the moral and industrial potential of the Soviet Union itself, and the prospects of peace, but risking the loss of the Satellite countries? Will they attempt a reversion to something like Stalinism under another name as some of the tough, uncompromising language and actions from Moscow of recent days would suggest? Or will they be tempted to risk foreign venture with a view to uniting their people and their energies to meet alleged enemies they claim are encircling them?

These are the issues. I would not wish to suggest that what I have referred to as the decline of the Marxist Communism has left the Soviet Union materially weak in facing them. The Soviet may be ideologically less menacing, technologically its power is still increasing.

Throughout the entire revolution, once the Communist regime was firmly established in Russia, the emphasis was placed on heavy industry, and on building up the war machine. This has been a constant policy and has been one phase of Soviet life that has not been affected by changing leaders or interpretations of Communist ideology. After all, the men who are at the helm in the Soviet Union are not the original revolutionary heroes. Khrushchev and Mikoyan and their henchmen belong to the ever-present class of political careerists who see in a revolutionary movement the path to power and privilege. They did not make the revolution, like Lenin. It made them, and they want above all else to preserve their positions.

While Marxism at one time or another has invaded most segments of Soviet life, including the army with its political commissar and indoctrination agents, those who have planned the Soviet military buildup have been little hampered by it. In their concentration on the fields of nuclear energy, aircraft design and construction, and the development of guided missiles, they experienced little ideological interference except during brief periods of Stalin's last hectic days.

Admits Missile Development

Take, for example, the case of guided missiles. Here they never ceased work from the days of 1945 when they took over the German missile installation at Peenemuende with its rockets of a range between 150 to 200 miles. Now we know they have developed modern missiles of many times the power and efficiency of the German wartime models.

The Soviet Union which we face today presents a series of contradictions. Its leader has practically unrestrained power except for such control as the military may exercise, backed by a formidable war machine — a leader committed by his express policies to improve the lot of his people, and presumably committed also to relax the harsh controls of Stalin which he has described so vividly himself and which he purports to abhor.

At the same time, this leader, Khrushchev, faces the dilemma that any substantial relaxation at home or abroad, given the nature of the Communist dictatorship as it has evolved, may spell his own downfall. For he faces, and he knows it, a people who are questioning the basic tenets of Marxist Communism, and in particular a student body that is becoming more and more vocal in demanding the truth and may not be satisfied with half measures.

The Communist leaders are also facing a growing body of highly educated, technologically competent men and women in the field of industrial management and production. It may prove impossible for them to stop the growing wave of intellectual unrest in the Soviet Union. Khrushchev cannot turn back education or stop technological development and keep the U. S. S. R. a great power.

Yet Khrushchev seems to be in a hurry to solve a whole series of such problems as I have described and gain the personal success necessary to maintain his own position.

In addition to all this, he has deeply committed himself in certain foreign adventures, particularly in the Middle East—partly, it may be assumed, to distract attention from problems at home and in the Satellites. All this rightfully makes us cautious in our judgments and does not suggest that there are any quick or easy ways out in our relations with the U. S. S. R.

But over the longer range, we can rest assured that revolutionary Communist tyranny cannot provide a final answer or a satisfactory answer to the needs of a civilized community. No power on earth can restore the myth that Communism is the wave of the future after 10 million Hungarians, after a decade of experience with it, and at the risk of their lives, gave it such a resounding vote of no confidence.

The people of Russia, if given the time to continue their evolution to freedom out of the narrow bounds of Communist dictatorship, will themselves help to find a peaceful answer.

Form Inv. Growth Secs.

Investors Growth Securities has been formed with offices at 200 Fifth Avenue, New York City to engage in a securities business. Raphael H. Salzman and Aaron Locker are partners.

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1958 Steel Outlook

ing the last half of 1957 with a reduction of inventories by steel customers. Yet even with this inventory reduction we are still producing at an annual level of about 112 million tons. And this at a time when the automobile producers have not come in for their full tonnage requirements.

Key Role of Inventories

I believe the key to 1958 will be the amount of inventory liquidation or buildup. There seems to be a general paring of inventories going on at present. This does not apply to all markets or all products, if inventory liquidations are minor in the beginning of the year—and I believe under present conditions they will be—they will be over in the first half of the year and rebuilding will begin to take place. We could then have a net addition to inventories for the year 1958 as a whole of a few million tons. If we do, I would set next year's total steel production level at 2-3 million tons above 1957 and this would establish a new production peak for the industry. Again this is based on the conservative forecast for the economy.

If we examine the demand for steel by industry we find the largest market-construction in a strong position for 1958 as mentioned above.

Automobile production is expected to be up in 1958. And could be up quite substantially if the consumer again uses credit for purchases to the degree he did in 1955.

Electrical appliances washed out their weakness this year and the industry looks for an increase of 5-10% next year in sales. Inventories of appliances have been cut in 1957 and a rebuilding of inventories to some degree will have to be added to the anticipated sales gain.

Heavy electrical equipment demand will continue to tax the productive facilities of the industry. The utilities are still faced with increased use of power and higher peak loads.

The container industry will continue to grow as it has in the past.

Shipbuilding will continue strong into 1958.

Aircraft, missile and rocket programs will continue to use more steel.

Even reports from down on the farm indicate a stronger demand for agricultural equipment.

The chemical, petroleum and petro-chemical industries continue to grow and add to capacity. Perhaps not as fast as previously anticipated, but nonetheless upward.

The demand for general industrial machinery, which follows the capital goods market I previously mentioned, may be off slightly in total next year. But by the end of 1958, I would expect the demand to strengthen.

Ordnance and military use of steel will continue about the same.

Exports of steel may be off slightly.

Pipelines continue to call for more steel.

Conclusion

On balance, the basic demand for steel in 1958 may total about 83 to 84 million tons of finished product. This would mean steel ingot production of 116-117 million tons for the year. If you add to this level an inventory accumulation of 2-3 million tons, you come up with 118-120 million tons of ingot production for the year. If there is a net inventory reduction you come up with 113-115 million tons. But it is a good bet that in 1958 steel production records will be given a run for their money.

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The State of Trade and Industry

and the remainder from inventories. Consumption in 1956 was about 6,000,000 tons lower.

Steel inventories made up of raw materials, goods in process and unsold finished goods were larger at the start of the year than most people suspected, the metalworking weekly noted. They approximated 20,000,000 tons after a 4,000,000 ton addition in 1956. In the first half they rose to 22,000,000 tons.

The net reduction of 1,000,000 tons in steel inventories in 1957 will leave a 19,000,000 ton stock at the end of the year, an amount equal to three months usage at current rates. Some analysts say this is still high and they expect the inventory reduction to continue in the first and second quarters of 1958.

With mills able to make prompt delivery on all forms of steel, except heavy plates and structural shapes, the need to carry large inventories is eliminated. As long as inventory reduction is underway, there will be apathy in buying, this trade weekly declares.

Producers of capital goods such as machine tools and plant equipment are disappointed about prospects for new orders in the fourth quarter. A high level of inquiries, however, is giving them confidence that an upturn will appear in 1958, probably in the third quarter.

Since the beginning of the second quarter, producers have been hacking away at backlogs, so that shipments this year will be as good or better than they have been in most previous years. Many, continues this trade paper, consider the current slump as a breathing spell in which to consolidate their gains of the last two "abnormally high" years.

As for consumer hard goods, a "Steel" survey finds that prices are expected to inch up over the next six months, with price patterns varying from industry to industry. Makers find increased productivity and cost cutting are not enough to offset added expenses.

"Steel's" price composite on steelmaking grades of scrap declined $1.67 and now stands at $37.83 a gross ton, the lowest point since July, 1955. Little scrap is being bought by the mills with brokers mainly filling outstanding orders.

Demand for steel ingots is keeping production steady. In the week ended Oct. 20, the production rate for ingots and castings was unchanged at 81% of capacity and the yield at 2,073,000 net tons. This October will not be one of the year's high months, although historically it is looked upon as one of the two best months of a year, concludes this metalworking weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 79.9% of capacity for the week beginning Oct. 21, 1957, equivalent to 2,045,000 tons of ingot and steel for castings, as compared with 80.9% of capacity, and 2,070,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 82.2% and production 2,105,000 tons. A year ago the actual weekly production was placed at 2,491,000 tons or 101.2%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Last Week Turned Modestly Lower

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 19, 1957, was estimated at 11,684,000,000 kwh., according to the Edison Electric Institute. Output the past week turned modestly downward.

The past week's output declined 25,000,000 kwh., below that of the previous week but advanced by 351,000,000 kwh., or 3.1% above that of the comparable 1956 week and 1,040,000,000 kwh. over the week ended Oct. 22, 1955.

Car Loadings Declined Fractionally in Latest Week and Were 9.9% Under Like 1956 Period

Loadings of revenue freight for the week ended Oct. 12, 1957, declined by 6,217 cars or 0.8% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Oct. 12, 1957, totaled 741,520 cars, a decrease of 81,687 cars, or 9.9% below the corresponding 1956 week and a decrease of 80,058 cars, or 9.7% lower than the corresponding week in 1955.

U. S. Automotive Output Reflected a Gain of 75.4% Last Week as Volume of 1958 Model Car Assemblies Increased

Automotive output for the latest week ended Oct. 18, 1957, according to "Ward's Automotive Reports," recorded a gain of 75.4% that netted the 200,000th 1958 model built thus far.

Last week's car output totaled 67,769 units and compared with 38,626 (revised) in the previous week. The past week's production total of cars and trucks amounted to 87,845 units, or an increase of 30,359 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 29,143 cars, while truck output climbed by 1,216 vehicles during the week. In the corresponding week last year 88,557 cars and 21,651 trucks were assembled.

Last week the agency reported there were 20,076 trucks made in the United States. This compared with 18,860 in the previous week and 21,651 a year ago.

Canadian output last week was placed at 1,928 cars and 601 trucks. In the previous week Dominion plants built 1,528 cars and 833 trucks and for the comparable 1956 week, 5,769 cars and 1,953 trucks.

Lumber Shipments 3.6% Below Output in Past Week

Lumber shipments of 492 reporting mills in the week ended Oct. 12, 1957, were 3.6% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 0.2% above production. Unfilled orders amounted to 30% of stocks. Production was 6.2% above; shipments 4.1% below and new orders were up 4.9% from the previous week and 5.9% below the like week of 1956.

Business Failures Edged Higher After Three Straight Weeks of Decline

Commercial and industrial failures rose slightly to 258 in the week ended Oct. 17 from 244 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties edged above the 254 last year and exceeded the 239 in 1955, they were 7% below the prewar level of 277 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more increased to 229 from 202 in the previous week and were moderately higher than a year ago when 216 of this size occurred. On the other hand, small casualties under $5,000, declined to 29 from 42 last week and 38 in 1956. Liabilities in excess of $100,000 were incurred by 17 of the week's casualties as against 23 in the preceding week.

All industry and trade groups had higher failures during the week except manufacturing. More businesses failed than last year in retailing and service, but totals among manufacturers, wholesalers and contractors dipped below last year's level.

Five of the nine major geographic regions reported increases. Failures in the Middle Atlantic States climbed to 96 from 77 and moderate rises appeared in the New England, South Atlantic, East South Central and West North Central States. While casualties held steady at 33 in the East North Central States, totals fell off in three regions, including the Pacific States with 54 as against 62 in the previous week. Year-to-year increases occurred in five regions but were partially offset by declines from 1956 in four areas. Totals were noticeably higher than last year in the New England and West North Central States.

Wholesale Food Price Index Moved Slightly Lower in Latest Week Following Steady Trend of Preceding Period

The wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped 1 cent last week to stand at $6.11 on Oct. 15. This was the lowest level since May 28 when it also stood at $6.11 and it was only slightly above the year's low point of $6.08 on May 14. The current number compares with $6.01 a year ago, or a gain of 1.7%.

Higher in wholesale cost the past week were flour, wheat, oats, hams, lard, coffee, cocoa and eggs. Lower in price were corn, bellies, butter, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registered Further Noticeable Declines Last Week to Score a New 1957 Low

There was another decline in the general commodity price level the past week, with noticeable decreases in prices on steel scrap, butter, sugar, some livestock and tin. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 279.61 on Oct. 11, the lowest level so far this year. On Oct. 14, the index registered 280.30 compared with 281.59 a week earlier and 293.18 a year ago.

Government reports forecasting larger than expected crops of corn, wheat and soybeans resulted in a decline in most grain futures prices during the week. Although trading continued at the level of the previous week, wheat futures prices dipped moderately. Slight declines in prices on corn and oats stimulated buying at the end of the period.

Rye futures prices declined noticeably resulting in a moderate pick up in trade. Increased buying throughout the week appreciably boosted soybean futures prices, despite reports on favorable harvesting weather, expectations of a bumper crop and larger receipts at terminals.

There were some scattered orders for bakery flours last week and prices edged up somewhat. Wholesalers expect buying to remain slow during the next few weeks as most buyers had adequate stocks. Increased buying from both domestic and foreign markets helped sustain rice prices at the levels of the preceding week. Rice harvesting in Louisiana was noticeably accelerated by good weather, but movements in Mississippi were delayed. Most wholesalers reported limited rice supplies.

Buyers increased their purchases of raw sugar somewhat the past week and prices rose moderately. Trading and prices on refined sugar continued close to week earlier levels. Volume in coffee buying slackened and prices were unchanged. Cocoa futures prices moved up fractionally as trading improved. Warehouse stocks of cocoa in New York fell slightly to 253,439 bags at the end of the week, moderately below the 357,227 bags a year ago. United States cocoa arrivals for the season to date totaled 2,691,570 bags compared with 3,349,662 bags in the similar 1956 period.

Although trading improved, a seasonal rise in receipts resulted in a moderate decline in hog prices. Receipts in Chicago were the second largest since February. Cattle supplies declined during the week, but were considerably higher than a year ago. A slight rise occurred in trading in steers, but prices remained at previous week levels. Purchases of lambs lagged and prices as a consequence slipped somewhat. Lamb receipts were moderately less than those of both a week earlier and the similar 1956 period. There was a substantial gain in lard futures prices as trading improved.

Cotton futures prices on the New York Cotton Exchange rose somewhat following a lower than expected government crop forecast. The government estimated the cotton crop for this season would be about 12,410,000 bales. This was 312,000 bales less than the previous government forecast made in September. United States exports of cotton for the week ended on Tuesday of the preceding week were estimated at 73,000 bales as against 82,000 in the prior week and 183,000 in the corresponding 1956 week. Total exports of cotton for the season through Oct. 8 were esti-

mated at 793,000 bales, as compared with 1,137,000 in the similar period last season.

Trade Volume Advanced Substantially Above Prior Week But Was Slightly Below Year Ago

Despite extensive sales promotions and cool clear weather, total apparel volume dipped below a year ago, when Columbus Day fell on a Friday, making an extra shopping day. While sales of furniture, houseware and floor coverings showed year-to-year declines, purchases of major appliances moderately exceeded those of last year. Increased buying of new passenger cars helped reduce dealer inventories noticeably. Automobile sales for all of 1957 are expected to reach about 6,000,000 units, somewhat below previous estimates. Total retail volume the past week was substantially higher than a week earlier, but slightly less than a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: South Atlantic States 0 to +4%; West South Central —1 to +3; Middle Atlantic and Mountain —2 to +2; West North Central —3 to +1; East North Central, East South Central and Pacific Coast —4 to 0 and New England —7 to —3%.

Although sales of women's coats and some fashion accessories equalled those of a year ago, other items of apparel were lower. Increased purchases of men's hats, sports jackets and slacks offset declined in furnishings and topcoats boosted total men's apparel volume up to the year ago level. The buying of children's clothing lagged.

There was an appreciable gain in the call for automatic laundry equipment, dishwashers and television sets during the week and sales were moderately higher than last year. While interest in linens and draperies were close to that of a year ago, volume in upholstered chairs, dinette sets, glassware and carpeting was less than in the similar 1956 period.

Showings in Chicago, Grand Rapids and in some Southern markets attracted furniture buyers last week and orders climbed substantially. Purchases of power mowers and household tools at the National Hardware Show in New York were moderately higher than a year ago. Wholesale buying of major appliances was close to that of a week earlier.

Wholesalers were somewhat disappointed at the response to openings of women's spring merchandise, but retailers stepped up their buying of winter coats, suits and better dresses as they sought fill-in merchandise for depleted stocks. Volume in women's cruise-wear and children's apparel lagged. There was a slight rise in transactions in men's suits and topcoats, and volume was close to that of a year ago.

Cotton gray goods wholesalers reported a noticeable reduction in prices on print cloths, as trading continued to lag. Bookings in woolens, worsteds and carpet wool declined somewhat below those of a week earlier.

Although food buyers somewhat boosted their orders for frozen foods, baked goods and cheese last week, volume in butter, eggs, fresh meat and poultry was sluggish.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 12, 1957, showed a decrease of 1% from the like period last year. In the preceding week, Oct. 5, 1957, no change was reported. For the four weeks ended Oct. 12, 1957, a decrease of 1% was reported. For the period Jan. 1, 1957 to Oct. 12, 1957, an increase of 2% was registered above that of 1956.

Retail trade sales volume in New York City last week proved disappointing as the volume dropped 3 to 5% below the corresponding period in 1956.

Trade observers, it was reported, were in a quandry as to the dominant cause of the lower trend the past two months and attributed it to a number of factors such as the unseasonably warm weather, world politics, the stock market and other possible depressants.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 12, 1957, decreased 8% below that of the like period of last year. In the preceding week, Oct. 5, 1957, a decline of 6% was reported. For the four weeks ending Oct. 12, 1957, a decrease of 7% was registered. For the period of Jan. 1, 1957 to Oct. 12, 1957, the index recorded a gain of 3% above that of the corresponding period of 1956.

Mutual Fund Specialists

WEST NEW YORK, N. J. — Mutual Fund Specialists, Inc. is engaging in a securities business from offices at 443-60th Street.

Logan Adds Three

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Raymond L. Kopp, Edward A. Forster, David W. Thayer and Hayward L. Watson have been added to the staff of J. Logan & Co., 721 East Union Street.

Three With Cal Pacific

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard S. Conwell, Albert G. Geigele and Charles W. Marsh Jr. have become affiliated with Cal-Pacific Securities, 140 North Robertson Boulevard.

Four With Jensen, Stromer

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif. — Allen J. Mitchell, Vincent J. Oliver, James Teague and A. Laurence Tuma have become associated with Jensen & Stromer, 426 East Fifth Street.

Joins Lichtman, Mong

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — Raymond E. Giorgi has become affiliated with Lichtman, Mong & Co., 1139 Chestnut Street. He was previously with La Montagne & Co.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Warren X. Murphy has joined the staff of Francis I. du Pont & Co., 416 Fifteenth Street. He was previously with Frank Knowlton & Co.

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Independent and Bell Systems Face Common Goals and Problems

seems to me to concern the whole industry:

Employee Communications

What do the people who are working in this business really know and believe about the outfits they are working for?

That depends mostly on how diligent the companies are to give employees the facts, and on how well we succeed in demonstrating our sincerity.

I'm sure we *must* succeed in this, for if most of the things employees know or think they know should come from some of the union papers and union press releases I see, they will certainly get some strange ideas.

For instance I saw a union editorial the other day that had the Bell System waxing rich and practically choking on fat profits. This kind of thing is so absurd, you may wonder why I even mention it. The reason is that the problems which unions and managements are concerned with are so important, not only to them, but to the public and the nation as a whole, that there just isn't any room for careless or misleading talk.

You and I know that the telephone companies are bound to provide wages and working conditions that compare favorably with other industry and offer attractive opportunity for willing and industrious men and women. We can't make progress in any other way. I'm simply saying here that the need to accomplish the best for all concerned — for employees, for customers, and for investors — absolutely requires a thoughtful and factual approach. Nothing else will do. Frivolous and unconsidered statements can only cause harm—the more so if by silence we seem to give them our consent. What we need is to get such a steady stream of truth flowing that there's no room in the river for anything else.

More Earnings Required

Another big industry-wide job is to get enough earnings. Telephone service has been a low-earning enterprise now for a long time. It ought not to be. To be sure we've improved — at least most companies have improved—quite a bit in recent years. But most of us still have quite a way to go. I also think that to go that distance we need to keep hammering at a basic idea.

This is that in the long run, good earnings mean better service at lower rates. A large segment of the public and too many of the commissions have quite a different idea today. They seem to think low earnings mean low rates and good earnings mean high rates. It is this climate that has made us a low-earning business in the postwar period.

Can the climate be changed? I certainly think it can. The public today has no idea that the lowest-earning soap company makes the best and cheapest soap, or the lowest-earning automobile company the best and cheapest automobiles, or the lowest-earning meat-packer the best and cheapest hams.

Why should we let the idea hang on that the low-earning telephone company gives the best and cheapest service? We know it isn't so and we also know that people don't have this idea about other kinds of businesses. Why should they keep this false notion about us?

The fact is, and I know this is repetition, that good earnings mean quality service at lower cost to the user. And good service is much more important to our customers than the precise rate they pay.

We simply must show the commissions and the public that the only way to telephone progress is through telephone prosperity. As I said at the start, we have tremendous new opportunities to provide improvements in service and a great variety of new services. These will add to the convenience and comfort of men and women everywhere. They will help other businesses and make a very large further contribution to the progress of our national economy. But all this potential achievement depends on our earning well.

We must raise capital in huge amounts. We must continue to push research and development work. We must take new and substantial risks. We must not merely keep, we must enlarge and deepen the respect and faith and trust of people who have money to invest —both those who have already bought our securities and those who have never done so before.

Telephone's Basic Importance

Is it asking too much of regulatory commissions to exercise, in fullest measure, their practical judgment, their imagination, and their political courage? I am sure it is not. And I am especially sure of this when I reflect that the problems which confront the regulator when a business is successful, and can go ahead progressively from one achievement to another, are as nothing compared with the problems which confront him when a business doesn't have the money to do what ought to be done.

Today in many states we see a glaring inconsistency. Their efforts to encourage and attract new industry are very different from the consideration they give to our industry which is already there. Do they really expect to attract others and bring employment and prosperity up, while at the same time they regulate telephone expansion and employment down? I cannot believe it. It is our job to demonstrate that every state needs our financial good health, not only for what this means in direct telephone employment and wages, but equally or even more for what we can do to help make the state attractive to others. One of the first things any industry wants to be sure of is that it can count on full and fine service from us.

I have only one other specific matter to mention which seems to me of top importance.

With a tremendous service job ahead—

With lots of competition all around us—

With the need to better our earnings—

With the continuing challenge of dealing with the unions in ways that will be fair to employees, fair to the public, and fair to the share owners—

With this kind of future, it seems to me a plain necessity that we do the very best we can to help build our future telephone management.

This is a many-sided matter. It is not something for which we can find a formula. Nor is this a job that some of us can work at and others leave alone. It is the responsibility of every boss in the business.

I put it that way because the great essential is to have the kind of working atmosphere in this business that gives people air and room and freedom and incentive to grow. And it is the boss—all bosses together — who determine that atmosphere.

Throughout the industry we are doing many things to try to aid the process of growth. We are broadening engineering training. We are using conferences, case studies, discussions and courses of various kinds to broaden the knowledge and outlook of our people.

But in my judgment all these activities, valuable as they may be, can only be effective as aids to growth in the right kind of climate—and for that the boss is everlastingly responsible. We'll do the best job, I'm sure, when—and only when—every boss acts on the understanding that an indispensable part of his assignment is to do everything he thoughtfully and reasonably can to encourage the growth of his subordinates.

Perhaps you will agree that these broad industry problems I've been discussing make quite a handful. We have a real job ahead of us. But in closing, I'd like to express again my complete confidence in the forward motion of this business. The longer we go, the greater the promise of the future seems to be.

You in this association can now look back on 60 years of progress, and I congratulate you again on that. However, you don't need to look anywhere near that far to be conscious of great achievement. What you have brought about in the last decade alone ought to make you feel pretty good. And in the years to come, you must be well aware that the very nature of this country's growth, and the kinds of changes that are in the making, give you spectacular opportunities.

Yet I'd rather end on this note—that the job ahead is not partly for you to do, and partly for us in the Bell System to do, but rather, that all of the job is ours to do together. For it is the kind of service that grows out of this concept that the public will surely insist on, and we must surely deliver.

With Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wesley R. Mahoney is with Columbine Securities Corp., 1575 Sherman.

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Need for Orderly Development Of Foreign Oil Reserves

than adequate for the production that may be called for in the predictable future. You have perhaps seen some of the many estimates of the world requirement for energy in the future and the proportionate part of the demand that may be met by oil. If these estimated demands prove to be reasonable there will be considerable strain upon the world petroleum industry in the expenditures which will be required to find and develop production, and create facilities for transportation, refining and marketing. The Petroleum Department, Chase Manhattan Bank, has published a number of papers on the growth, financial requirements and patterns of the industry which are most interesting. When we look at the Middle East it seems apparent that the strain will come in the transportation rather than in the finding and developing of the fields to produce the oil, since these oil fields are rather far removed from the important markets of the world.

I am sure that most of you have heard or read of the proposal, which received considerable impetus at the time of the Suez Canal closing for the construction of a pipeline through northern Iran, Iraq and Turkey to deliver oil to the Turkish port of Iskenderun on the Mediterranean. The value of such a line lies in the fact that it would by-pass politically turbulent Syria, and would give the companies operating in the area an increased degree of independence of the Suez Canal. While the line is technically feasible, its cost would be, according to preliminary estimates, in the vicinity of $1 billion. More recently, the attitudes of the companies that would use the line appear to have cooled somewhat, and certainly those producers with relatively easy access to the Persian Gulf would, in normal times, doubtless prefer to continue loading at Persian Gulf ports. But the fact that the proposal has been under serious consideration is, in itself, a sample of the sort of financial strain that transportation problems can, and increasingly will present.

Under the older concessions and at the end of World War II, revenues to the governments of the producing countries were on a basis of cash royalty per unit of production. The royalty, while considered generally to be equitable and in keeping with "going prices," did not relate to the market value of the oil. As the oil production of the Middle East increased in volume and as its importance became more keenly understood, and as competition for concessions increased, there naturally arose demands for greater returns to the governments of the producing countries. Thus ideas changed about equitable rates, particularly in view of the pattern set by the Venezuelan Government on the basis of the so-called fifty-fifty income tax pattern of sharing of the profits from the operation of the oil producing properties. Flat cash royalties gave way to a combination of royalty and income tax for determining payments to the governments. Owners of old concessions renegotiated terms with the respective governments in line with the new fifty-fifty pattern. Renegotiations, although at times difficult, have usually been faithfully carried out. The outstanding exception, of course, was the case of the Persian Government's action in nationalizing the Anglo-Iranian Company's operations in 1951. The re-establishing of operations in Persia under the International Consortium came after more than four years interruption of the industry in that country and it, in turn, created some new aspects in concession contracts which in one way or another have their effects in other areas.

Involves State Department

To a much greater extent than ever before the developing pattern of the oil industry in the Middle East in the post-World War II period has involved the diplomatic relationships of the United States with all the governments of that region. The interplay of diplomacy between the United States and Great Britain and other European powers plus those of the western nations and the Russians, and, of course, the effect of relationships involving the Jewish State of Israel are most important. In more ways than I would be able to recount, these international diplomatic relationships impinge on the affairs of the petroleum industry to create problems that call for more attention and effort than do the normal industry activities.

The events that led up to and followed the closing of the Suez Canal and Syria's interruption of pipeline runs from the Iraq fields to the Mediterranean are extreme examples of what I mean by international relationships impinging upon the industry. Perhaps the faint-hearted do look upon operations in the Middle East as most precarious and questionable from an investment point of view. But I believe those who are familiar with the history of the oil industry are aware that it is not an enterprise for the faint-hearted, and I am sure the record of the companies operating in the Middle East does not indicate that they have any thought of lessening the effort to supply the world's markets with the oil required. The operators in every instance have pursued more or less vigorously and continuously such programs of expansion as were necessary to achieve the above mentioned production. Currently every operator who has a potential to expand is actively engaged in a program to increase production. Anticipated requirements two, three, or five years hence demand that installation projects be planned and developed immediately. For instance, during the past two years the Kuwait Oil Company has been engaged in refinery expansion to be completed next year, and they are about to begin construction on additional tanker loading facilities that will come into being two or three years hence.

Reviews Gulf's Experience

It may be of interest to review Gulf's experience in the oil industry of the Middle East. Our first participation in the region was as part owner of the Near East Development Company in the American group of the Turkish Petroleum Company, which later became the Iraq Petroleum Company. At one time there was a possibility that parts of Iraq might be opened to acquisition of concessions outside the international combine of the Iraq Petroleum Company. At the same time, in the year 1927, Gulf had an opportunity to consider options on the oil concession on Bahrein Island and Kuwait. I was given the assignment, at the end of 1927, to go to Bahrein and make a geological investigation.

Mapping of Bahrein occupied some three months of my time, following which I had expected to take a look at some of the Arabian mainland, and perhaps go to Kuwait. However, this did not come about. During the summer months of 1928 Turkish Petroleum Company was revamped to become Iraq Petroleum Company and the famous Red Line Agreement which restricted the participants of the Iraq Petroleum Company from undertaking independent activities within the area of the former Turkish Empire came into being. This Red Line Agreement included Bahrein Island and the Arabian mainland, as well as all of Iraq, Syria, Trans-Jordan, etc. It did not, however, include Kuwait due to the fact that in the relationship between Kuwait and the Turkish Government there had been recognized a certain area of autonomy for the Shaikh of Kuwait. This new arrangement prevented Gulf from exercising the option in Bahrein or pursuing in any way its interest in Arabia.

Gulf's position with respect to the option on Bahrein was taken by the Standard Oil Company of California, who in due course acquired a concession and discovered Bahrein oil field in 1932. They also pushed concession negotiations in Arabia and acquired rights in that country in 1933.

In the meantime Gulf and Anglo-Iranian, now the British Petroleum Company, were competing for rights in Kuwait and, in 1933, came to an understanding which resulted in formation of the Kuwait Oil Company as a joint effort to acquire a concession in Kuwait. Agreement with the Shaikh of Kuwait was made at the end of 1934. Exploration of the Kuwait concession led to the discovery of the Burgan Field in 1938. Although it was evident that a very significant discovery had been made and a number of wells were drilled before the critical military situation in the Middle East brought about closing down of Kuwait operations, only limited testing of the wells was undertaken and no preparation was made for putting the field on production until after the war.

Gulf's interest in the Iraq Petroleum Company was disposed of in 1934. Thus in the post-World War II period when the Middle East development really got under way we were left with only the representation in the Kuwait concession.

Operations by Kuwait Oil Company were revived in 1945 when preparations began for producing the wells drilled before the shutdown. The first shipment of oil took place in 1946. A very vigorous program of development drilling, construction of oil handling facilities and other installations required has been pursued through the years to provide the present capacities for production and shipment of oil.

Gulf Ranks Second

In 1954 Gulf took an 8% interest, later reduced to 7%, in the international Consortium which negotiated an agreement with the Iranian Government for operation of the Anglo-Iranian oil properties, nationalized in 1951. The build up in production there has been progressing very well and in recent months has passed the 700,000 barrels per day achieved just prior to nationalization. Gulf's production from the interests in Kuwait and in the Consortium has amounted to a daily average of well over 600,000 barrels through the first eight months of 1957. Gulf ranks second in volume of production in the Middle East.

It may be noted that whereas in the initial arrangements of the Kuwait Oil Company concession, Gulf was a joint owner in the Kuwait Oil Company, which, in turn, negotiated and held the oil concession, in the negotiations in 1951 which changed the payment to the Kuwait ruler to the so-called 50-50 basis—a combination of royalty and income tax—Gulf and Anglo-Iranian became owners with undivided interests in the basic concession, and Kuwait Oil Company became an operating company without ownership in the concession.

It is interesting to recall that as of World War I days the Anglo-Persian (now British Petroleum) was the only operating company in the Middle East in the region east of Suez. In the mid-twenties, through the Turkish Petroleum Company, other European interests and several American companies entered the picture. Other American companies appeared on the scene in the 1930s and still others in the post-World War II period. As of the present, at least a score of American companies have rights in oil concessions and are represented in active producing properties or are engaged in exploration that may well lead to the discovery of production.

Though details naturally differ in the case of each company, one aspect of Gulf's experience is typical. We have a picture here of continuously increasing production, and the revenue from this production accruing to the local governments is exerting a profound influence over the whole area.

We have been hearing a great deal of late about the possibility of there emerging in the area some sort of a Pan-Arab confederation under the leadership of the Egyptian dictator, Nasser. Partly such talk is based upon the assumption that, however much the Middle Eastern rulers may distrust their neighbors, they hate Israel more and might be willing to submerge their old attitudes of caution toward each other in the cause of common action against the Jewish state.

Israel's Vigor Upsets Arabs

From my observation I can say that the state of Israel is, by itself, the most inflammatory aspect of the whole Middle East situation. The mere fact that it is there, alive, truculent and vigorous, keeps the whole Arab world, but particularly that portion of it most closely adjacent to Israel's borders, in an acutely disturbed emotional state, beclouding their capacity for rational thinking about all their problems, regardless of whether the problem concerns Israel or not. For this, the blame must be shared by the United States and Britain who have failed to settle the matter of the Arab refugees, or to fix beyond any possible doubt, the borders of Israel.

But for all the inflamed talk, actual concrete evidence that any of the Middle Eastern states, with the possible exception of Syria and Jordan who do not as yet have any oil resources, might be willing to follow Nasser, or anyone else, into a war of extermination against the Israelis has been totally lacking up to date. And I think the reason is that all of the rulers or political parties in control of those states that do enjoy income from oil production have been, and most likely will continue to be, understandably reluctant to embark on any adventure which might jeopardize either their sovereignty or their prosperity.

The word prosperity is, of course, relative. By our standards these states are still sadly undeveloped, but it is necessary to remember that in their own terms they are now better off than they have ever been. The more important point, however, is that, contrary to much that has been said and written, the presence of truly vast reservoirs of petroleum has now begun to act as a factor for the promotion of peace and stability in an area that has known precious little of either since the dawn of history.

Growing Importance to U. S. A.

With each passing day the maintenance of peace and stability which permits the orderly development of these Middle East resources becomes a matter of increasing importance not merely to that portion of the oil industry operating there, but to every person living in the United States.

The best measure of this importance is spelled out by the location of the known reserves available to the Free World, as reported by World Oil on Jan. 1, 1957, as follows:

	Billion Barrels	% of Total
United States	30.4	14.7
Venezuela	14.0	6.8
Other Western Hemisphere	6.6	3.1
Total Western Hemisphere	51.0	24.6
Middle East	148.0	71.4
Rest of Free World	8.5	4.0
Total Free World	207.5	100.0

In examining these figures it is necessary to remember that though estimates may vary, all authorities agree that the future energy requirements of the Free World call for a large and continuous increase in the demand for oil. The question then is: "Where else can we get the oil, if not from the Middle East?" And the answer is: "Nowhere."

Just in passing I want to emphasize that Gulf's future is not altogether tied to the fortunes of the Middle East. Gulf has a considerable stake there, it is true, but it also possesses very substantial production in the United States, in Venezuela, in the increasingly important Canadian oil development, as well as a strong position in other producing areas. The company is adequately diversified to operate successfully in any eventuality, which is, of course, a reassuring situation as far as Gulf is concerned. However, as a nation, the fact we must sooner or later face realistically is that we now should be importing more of the Middle East production into this country, and eventually we will have to do so.

Now Net Importer

Until recent years this country has enjoyed the enviable position of being a net exporter of crude and products, but now that picture has been reversed and net imports currently equal one in each nine gallons of petroleum we consume. Moreover, and I am speaking now of the domestic oil industry as a whole, the evidence is accumulating to suggest that we are approaching, or have already reached, a slope of diminishing returns. Despite drilling activity that continuously sets new records for the number of wells completed and the cost per foot, our domestic producers are finding it impossible to maintain the reserve position we have traditionally enjoyed. Ten years ago our reserves constituted a 13-year supply at the then current rates of consumption whereas, at today's consumption rates, our margin of national self-sufficiency has been reduced to 11.3 years. It is becoming increasingly apparent that we now find less oil for the same effort, and it would appear inevitable that the combination of rising costs and diminishing returns must in time bring about either a very substantial increase in the price of crude, or exert a discouraging influence on drilling activity.

In the light of this situation, Mr. W. K. Whiteford, President of Gulf, stated the company's position to a Senate committee recently as follows:

Opposes U. S. Import Ban

"Since the United States has only about 15% of estimated crude reserves, and accounts for more than 45%[1] of world oil consumption, it is of vital necessity from both economic and national defense viewpoints that the government does not adopt a policy which unduly restricts oil imports

[1] Actually about 55%.

from foreign areas where the reserves far outstrip the present and expected future consumption of oil.

"I do not believe it is true," Mr. Whiteford continued, "that partial dependence on imports will endanger national security. Oil is not the only mineral for which future supply is a problem. It is doubtful that any nation is completely self-sufficient in mineral resources for war and peace. Certainly the United States is a 'have not' nation for many raw materials today, but this does not mean that our security is in a precarious position. It does mean, however, that dependence on foreign sources is one of the problems of our economy as well as of national security. The fallacy of self-sufficiency in oil, as anything else, is that the costs may be prohibitive."

During the past several years the advocacy of this policy by Gulf has made the corporation a target for a great deal of criticism. In the camp of those who wish to have the United States follow a policy of severely restricted imports there are many who would like to see every requirement of this country supplied by domestic production. They apparently want to see us draw on our domestic reserves to the utmost limit — even to the point of failure to meet demand —before permitting a barrel of foreign oil to enter domestic markets. Their theory is that, as domestic production is pushed to its uttermost limits, prices, willy nilly, would have to be increased to carry the added cost of getting the more and more reluctant barrel to the surface, and of finding the more costly, low grade deposits. What this course of action would do to the price structure of petroleum products is impossible to foresee in explicit terms, but to say that it could result in a retail price of 60 cents a gallon on gasoline is not a far-fetched statement. With Mr. Whiteford, I believe that most people will agree that there is a limit to the cost we can pay for self-sufficiency in a national resource.

Those who advocate this short-sighted and potentially disastrous course, have, by a deliberate distortion of the facts or through ignorance, recently been pointing to a current condition of over-production and excessive inventories as justification for their position. Actually, an unfortunate sequence of events during and following the closing of the Suez Canal is responsible for the high production and inventory situation. What actually happened was that during the early months of the interruption of the flow of Middle East crude to Europe, the development of reliable information on the inventory position of the European countries came slowly, while at the same time a great many people became over-anxious to get large volumes of crude moving from the United States to Europe. Our domestic producing rates were raised again and again. Suddenly it was determined that the European shortage was not as severe as had at first been painted, and that movements of crude already started were taking care of a very high proportion of Europe's requirements. European purchases dropped quickly while our own production rates were held at abnormally high levels. At the same time, demand in the United States did not show its predicted increases, and the net of it was that we suddenly found ourselves — and here again I am speaking of the entire domestic industry — with virtually every available storage facility filled to the brim and more pouring out of the wells.

Zealots Without Facts

There then arose a hue and cry against imports. The imports were blamed for everything. In Washington, there was hearing after hearing, as Congressional Committees probed into the oil industry. To an alarming degree these committees proved to be staffed by crusaders and theorists whose ignorance of the facts of oil seemed to be exceeded only by their zeal to portray the international oil companies as nefarious villains regardless of what the testimony showed. At the same time, so we were told, the anti-trust division of the Department of Justice assigned 25% of its staff to investigation of oil company matters. The witch hunt has been extremely vigorous, but the only witch so far disclosed is the fact that there are many who, apparently, would like to legislate the international part of the oil industry into oblivion.

In the midst of these alarums and excursions, the President named a Cabinet Committee to consider the whole import situation and recommend a course of action for the importers that might be adopted on a voluntary basis by the separate companies, and the outcome was a schedule of restricted imports. We, in Gulf, do not like the arrangement since it denies the company the opportunity to use its own foreign crude in plants built for that purpose, and since we do not believe that a critical factor of national security is involved in the import situation. But we were asked to cooperate and have agreed to do so, bringing our scheduled imports down to a level that will meet the quota for the year ending June 30, 1958.

However unfair, unrealistic and unscrupulous it may be, the attack on the international oil companies appears likely to continue indefinitely. One point of attack that seems most popular is the percentage of depletion provisions of the present tax laws which allow depletion deductions on foreign production of American companies.

Much has been said about how percentage depletion is important and necessary for the financing of discovery of new oil reserves. That, in our opinion, is a secondary factor. Our position is that percentage depletion is as valid on foreign production as on domestic, and for the same reason. The primary purpose of establishing and continuing percentage depletion is that the production of oil from its reservoir is an act that exhausts a capital asset. The depletion allowance provides for a return to the producer of a portion of his wasting capital, without strings, for whatever use he may see fit. It is based upon the same considerations that authorize the operator of some other kind of business to deduct depreciation on his plant and equipment. To say that its only purpose is to provide capital for further exploration is to say that the discovery of oil is, to that extent, subsidized. By the same token, it is essentially the same thing as saying that any manufacturer who writes off capital for the depreciation of plant structure is, to that degree, also accepting a subsidy from his government.

Depletion Not Subsidy

From what I know of the oil industry, both domestic and international, I do not believe that it wants or needs subsidy. Those elements in the industry who decry foreign depletion while they fight for a continuance of domestic depletion on the ground that it is necessary for the exploration and discovery of more oil, seem not to understand that they are thereby explicitly inviting government to redefine depletion as subsidy. In the long run this is the same thing as inviting government to step in and supervise the uses to which the subsidy may be put.

But for all the complexities and problems involved, I believe that the interests of the American oil companies in the foreign producing regions of the world are, and will continue to be, of very great importance to this nation, and to the people of the Free World. They represent accessibility to truly vast reserves of crude oil, and to the degree that political and economic muddling can be prevented from interfering with the orderly development of those reserves, they insure that this crude will continue to be available to the markets of the Free World, wherever required.

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Must Be Partners in Profit Or Partners in Liquidation

of oil cannot go down. We must through the painful process of trial and error evolve an overall economic situation where natural gas in its own right will attract men, money, and materials—the three M's of exploration.

Ten years ago gas reserves were some 32 times annual production. In 1956 they were 22 times the volume our partnership combined to deliver Mrs. Consumer. As the gas business continues to grow this ratio may well drop below 20. That should not be alarming, however, when we consider that the known gas reserve reported yearly is really the industry's underground working stock. The real reserve is the vast and unknown amount of gas that nature has hidden throughout the earth's crust. Now the economy of our partnership must be such that the amount of gas successfully sought, developed, and added to this inventory **each year** exceeds the total drain from the pantry shelf. With shrinking profit margins everywhere, with attractive oil areas luring wildcatters overseas, this simply will not come about—whether the explorer is you or I or an entirely new crop of gas exploration companies, if the kind of strict public utility cost-of-service regulation apparently contemplated by the Phillips decision is applied to natural gas production.

Law's Failure

Now, I imply no criticism of the Federal Power Commission or the Courts. The latter, viewing our partnership from afar, have fallen into the error that the uninterrupted flow of gas from the bottom of the well to the housewife's meter makes like treatment of gas logical all along its journey. The members of the Federal Power Commission recognize the difficulties that stand in the way of their carrying out the regulatory assignment handed them. But they are helpless. They are helpless because the law as now interpreted by the Courts does not recognize the basic economic differences between public utilities providing service under exclusive franchises and the business of a producer, whether he be a major oil company, an independent wildcatter, or the producing subsidiary of a natural gas company. Producing a commodity is no privilege business. There are no exclusive territories. It is open to all comers.

Reality is brought home by this: If you are going to price natural gas on a cost basis then you must allocate to the gas its proper share of the jointly incurred cost for finding, developing, and producing the gas along with its associated oil. How can you make this allocation? The producing reserves of any given accumulation are known only when a field has been fully developed. What quantity will you use before that time as a devisor to determine the capital charges per MCF? Will you say a billion cubic feet will be produced, so the cost per unit is X? Or will you guess that two billion cubic feet will be produced, in which case the unit cost will be only ½ X? One company may spend $2 million in the search for gas without ever getting a producing well, another may spend but half a million and bring in several fields. What rate of return on what investment should be determined for each? If prices are fixed operator by operator, there will be a wide spread in prices for gas from the same field. Company Red's price in a given fields may be 10 cents per MCF while Company Blue's may be 20 cents. Now, who will decide what buyer will be permitted to contract with Red and which buyer must be stuck with Blue's high cost? Other difficulties could be mentioned but from these few I am sure you see the large area of "cost" determination that must unavoidably be based on sheer guess work.

Now, you and I as partners — even under these circumstances—somehow will see that gas in the present working inventory moves in commerce. We will resort to makeshifts, a disproportionate share of it will stay within state borders, (where the price has actually declined under supply pressure) but it will move. But our partnership under those circumstances simply will not be able to attract the capital and the man power required to put new gas on the inventory shelf to replace it. We will be partners in liquidation.

Not Partners in Liquidation

There is no question that the law now requires Federal regulation of the price of gas in interstate commerce. The Phillips decision settled that particular problem. Clearly, since some kind of regulation is required and since we as partners patently cannot meet our responsibilities under the present situation, we must find an alternative method. The producer proposes—in this partnership meeting—that a "reasonable market price" type of regulation will work and will be best for all under the circumstances. This type regulation, applied by the FPC, would not exempt our partnership's producing prices from regulation. The concept does provide, however, that the Federal Power Commission shall not continue its foredoomed effort to apply a public utility cost-of-service formula. Instead it calls on the Commission to evaluate all factors in establishing a reasonable market price. The Courts have been clear in their definition of "market price." It is that price at which property rights are transferred from a willing seller to a willing buyer. Underlying it is the fact of free entry to the business—one of the classic tests of true competition.

This Association has estimated that the total sales of gas will increase some 7% a year through 1965. In Michigan, Wisconsin, Indiana, Illinois, and the City of St. Louis, for instance, there are some 560,000 home-owners who have applied for gas to heat their homes and cannot get it. The West Coast market is growing at three times the rate of the national market. In the Appalachian area distributors are now meeting needs of the market but supply men foresee a deficiency of 20% by 1960. The State of Florida will soon be open to natural gas by a new line being built to supply that area. Even in the East Coast where cost of gas is nearer to that of competing fuels the market is expanding rapidly because of sound advertising and alert sales promotion by the distributing members of our partnership.

Proper Price

Judgment on the reasonableness of market prices simply must recognize this growing demand. Any price so low that it will not stimulate the search for gas in its own right as a commodity and not as a by-product can only result for the long pull in a static or declining underground inventory. In those circumstances higher unit costs all along the line must result in inadequate supplies of gas at prices satisfactory to no one. On the other hand, a market price recognizing this demand, recognizing the 3% currency erosion prevalent for many years, will call forth gas from the ground to meet the need. Under those circumstances, while prices will certainly rise, they will rise in an orderly way controlled by immutable rules of the economic game but umpired by the FPC. They will be moderated by lower unit costs which our partnership will then experience because of the efficiency gained through ever increasing volumes. Then we will truly be "Partners in Profits"—and in Service.

Cleveland Security Analysts Announce Fall Meetings

CLEVELAND, Ohio — The Cleveland Security Analysts Association has announced the following program of meetings, with the speakers scheduled:

October 30: Pierre Bretey.

November 6: General Robinson, President, Carborundum Corp.

November 14: A. Dean Perry, Treasurer, Harshaw Chemical Co.

November 20: McGregor Smith, Chairman of the Board, Florida Power & Light.

November 26: H. B. Fancher, General Manager, General Electric.

December 4: Joseph Lanterman, Vice-President, American Steel Foundries.

December 12: George Spatta, President, Clark Equipment Co.

December 18: B. E. Bensinger, President, Brunswick-Balke-Collender.

January 9: Harold Young, Eastman Dillon, Union Securities & Co.

January 15: Jeremy C. Jenks, Cyrus J. Lawrence & Sons.

January 22: Raymond E. Olson, President, Taylor Instrument.

February 5: Shelby Davis, Shelby Cullom Davis & Co.

February 13: C. F. Norberg, President, Electric Storage Battery.

February 25: Philip Sporn, President, American Gas & Electric.

March 5: Jerome A. Raterman, President, Monarch Machine Tool Co.

March 13: Spyros Skouras, President, Twentieth Century-Fox.

March 19: David C. Bevan, Vice-President, Pennsylvania Railroad.

March 26: Kelly Y. Siddall, Administrative Vice-President, Procter & Gamble.

April 2: Speaker to be announced.

April 10: To be announced.

April 16: L. B. Meaders, President, Halliburton Oil Well.

April 23: To be announced.

April 30: H. Supplee, Jr., President, Atlantic Refining Co.

May 7: Dr. H. H. Hopkins, Assistant to Treasurer, E. I. du Pont de Nemours.

May 15: Bengt Kjellgren, President, Brush Beryllium.

May 21: R. L. Milligan, President, Pure Oil Company.

May 28: Floyd B. Odlum, President, Atlas Corporation.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 27	§79.9	*80.9	82.2	101.2
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 27	§2,045,000	*2,070,000	2,105,000	2,491,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 11	6,728,700	6,811,550	6,821,250	6,992,650
Crude runs to stills—daily average (bbls.)	Oct. 11	¶7,744,000	7,779,000	8,056,000	7,498,000
Gasoline output (bbls.)	Oct. 11	27,363,000	27,793,000	28,546,000	26,405,000
Kerosene output (bbls.)	Oct. 11	1,856,000	1,651,000	2,340,000	2,323,000
Distillate fuel oil output (bbls.)	Oct. 11	12,401,000	12,305,000	12,378,000	12,402,000
Residual fuel oil output (bbls.)	Oct. 11	7,313,000	7,659,000	7,741,000	7,692,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 11	177,948,000	177,383,000	173,805,000	174,062,000
Kerosene (bbls.) at	Oct. 11	35,846,000	35,775,000	36,001,000	33,564,000
Distillate fuel oil (bbls.) at	Oct. 11	172,683,000	171,291,000	162,853,000	153,199,000
Residual fuel oil (bbls.) at	Oct. 11	59,041,000	58,103,000	55,183,000	47,349,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 12	741,520	747,647	741,147	823,207
Revenue freight received from connections (no. of cars)	Oct. 12	606,484	620,045	598,792	673,959
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 17	$312,346,000	$323,874,000	$328,655,000	$446,621,000
Private construction	Oct. 17	130,340,000	150,417,000	219,069,000	265,393,000
Public construction	Oct. 17	182,006,000	173,457,000	109,586,000	181,228,000
State and municipal	Oct. 17	159,303,000	120,251,000	92,121,000	157,790,000
Federal	Oct. 17	22,703,000	53,206,000	17,465,000	23,438,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 12	9,910,000	*9,950,000	10,100,000	10,220,000
Pennsylvania anthracite (tons)	Oct. 12	475,000	556,000	556,000	694,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 12	132	127	131	134
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 19	11,684,000	11,709,000	11,991,000	11,333,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 17	258	244	287	254
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 15	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Oct. 15	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Oct. 15	$37.33	$39.33	$46.67	$56.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 16	26.475c	26.325c	26.400c	39.550c
Export refinery at	Oct. 16	22.450c	23.850c	24.300c	35.925c
Lead (New York) at	Oct. 16	13.500c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Oct. 16	13.300c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Oct. 16	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Oct. 16	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Oct. 16	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Oct. 16	92.000c	92.375c	93.875c	106.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 22	85.90	85.96	86.42	91.71
Average corporate	Oct. 22	89.23	89.64	89.64	98.88
Aaa	Oct. 22	94.41	95.01	94.26	102.63
Aa	Oct. 22	91.91	91.91	92.20	100.81
A	Oct. 22	89.23	89.51	89.78	98.73
Baa	Oct. 22	82.15	82.65	82.90	93.52
Railroad Group	Oct. 22	87.86	87.99	88.13	97.62
Public Utilities Group	Oct. 22	88.95	89.23	89.23	98.88
Industrials Group	Oct. 22	91.05	91.62	91.62	100.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 22	3.75	3.75	3.70	3.17
Average corporate	Oct. 22	4.47	4.44	4.44	3.82
Aaa	Oct. 22	4.11	4.07	4.12	3.59
Aa	Oct. 22	4.28	4.28	4.26	3.70
A	Oct. 22	4.47	4.45	4.43	3.83
Baa	Oct. 22	5.01	4.97	4.95	4.17
Railroad Group	Oct. 22	4.57	4.56	4.55	3.96
Public Utilities Group	Oct. 22	4.49	4.47	4.47	3.82
Industrials Group	Oct. 22	4.34	4.30	4.30	3.75
MOODY'S COMMODITY INDEX	Oct. 22	386.8	387.5	406.3	415.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 12	273,642	403,701	265,697	257,075
Production (tons)	Oct. 12	299,922	298,603	299,482	279,692
Percentage of activity	Oct. 12	97	97	98	96
Unfilled orders (tons) at end of period	Oct. 12	517,385	547,046	504,557	470,412
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 18	109.88	110.13	110.20	109.15
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 28	1,831,190	1,046,390	1,398,230	1,340,320
Short sales	Sept. 28	293,090	238,830	250,970	223,860
Other sales	Sept. 28	1,566,080	868,320	1,201,040	1,129,520
Total sales	Sept. 28	1,859,170	1,107,150	1,452,010	1,353,380
Other transactions initiated on the floor—					
Total purchases	Sept. 28	356,780	193,650	252,170	277,300
Short sales	Sept. 28	38,800	31,900	30,950	20,600
Other sales	Spet. 28	339,810	231,380	223,440	333,070
Total sales	Sept. 28	378,610	263,280	254,390	353,670
Other transactions initiated off the floor—					
Total purchases	Sept. 28	586,090	395,600	473,400	514,136
Short sales	Sept. 28	84,790	65,290	129,790	54,140
Other sales	Sept. 28	520,595	367,065	434,193	530,072
Total sales	Sept. 28	605,385	432,355	563,983	584,212
Total round-lot transactions for account of members—					
Total purchases	Sept. 28	2,774,060	1,635,640	2,123,800	2,131,756
Short sales	Sept. 28	416,680	336,020	411,710	298,600
Other sales	Sept. 28	2,426,485	1,465,765	1,858,673	1,992,662
Total sales	Sept. 28	2,843,165	1,802,785	2,270,383	2,291,262
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Sept. 28	1,578,868	1,066,245	1,344,558	1,272,859
Dollar value	Sept. 28	$72,104,456	$48,894,082	$65,107,909	$68,975,372
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 28	1,131,479	782,621	882,617	885,23-
Customers' short sales	Sept. 28	20,597	9,074	20,566	7,554
Customers' other sales	Sept. 28	1,110,882	773,547	862,051	877,676
Dollar value	Sept. 28	$53,713,620	$36,867,319	$43,387,604	$45,351,808
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 28	259,880	186,480	187,340	221,770
Short sales	Sept. 28	------	------	------	------
Other sales	Sept. 28	259,880	186,480	187,340	221,770
Round-lot purchases by dealers—					
Number of shares	Sept. 28	720,564	448,610	674,400	589,080
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Sept. 28	683,660	446,520	626,120	397,440
Other sales	Sept. 28	12,586,260	8,103,190	9,685,430	10,118,520
Total sales	Sept. 28	13,269,920	8,549,710	10,311,550	10,515,960
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Oct. 15	117.6	*117.6	117.9	115.2
Farm products	Oct. 15	91.5	*91.3	91.0	88.3
Processed foods	Oct. 15	104.9	*105.0	106.4	103.6
Meats	Oct. 15	91.0	91.6	95.5	84.6
All commodities other than farm and foods	Oct. 15	125.7	*125.7	125.8	123.1

*Revised figure. ¶Includes 978,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Sep. 30:			
Imports	$234,091,000	$242,622,000	$294,379,000
Exports	482,520,000	523,998,000	257,803,000
Domestic shipments	11,779,000	14,012,000	14,416,000
Domestic warehouse credits	213,305,000	198,110,000	98,755,000
Dollar exchange	74,860,000	66,385,000	17,125,000
Based on goods stored and shipped between foreign countries	180,839,000	182,267,000	122,636,000
Total	$1,197,394,000	$1,227,394,000	$805,114,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC. — 215 CITIES—Month of August:			
New England	$32,835,357	$32,469,128	$26,928,572
Middle Atlantic	120,525,539	77,339,661	158,926,421
South Atlantic	43,205,835	55,409,785	63,725,591
East Central	122,922,015	117,809,105	122,463,120
South Central	79,381,380	97,334,427	77,003,855
West Central	42,129,864	48,612,792	36,187,037
Mountain	17,683,379	23,657,012	25,589,299
Pacific	104,331,109	103,226,899	104,434,865
Total United States	$563,014,478	$555,858,809	$615,258,760
New York City	72,289,031	33,359,346	114,957,757
Outside New York City	490,725,447	522,499,463	500,301,003
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Sept. 30 (000's omitted)	$501,000	$501,000	$549,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of August:			
Cotton Seed—			
Received at mills (tons)	238,086	100,501	364,799
Crushed (tons)	141,951	119,728	181,552
Stocks (tons) Aug. 31	260,003	163,868	360,716
Crude Oil—			
Stocks (pounds) Aug. 31	36,787,000	48,915,000	52,108,000
Produced (pounds)	48,393,000	42,577,000	58,108,000
Shipped (pounds)	46,525,000	58,474,000	50,774,000
Refined Oil—			
Stocks (pounds) Aug. 31	98,945,000	153,522,000	179,798,000
Produced (pounds)	43,777,000	54,947,000	47,268,000
Consumption (pounds)	103,764,000	101,717,000	104,902,000
Cake and Meal—			
Stocks (tons) Aug. 31	29,556	251,816	120,288
Produced (tons)	71,002	58,531	85,222
Shipped (tons)	113,262	94,494	129,121
Hulls—			
Stocks (tons) Aug. 31	45,359	52,242	55,123
Produced (tons)	32,441	26,075	40,785
Shipped (tons)	39,324	39,509	62,826
Linters (running bales)—			
Stocks Aug. 31	162,188	182,279	103,326
Produced	45,398	34,814	53,171
Shipped	65,489	80,962	69,803
Hull Fiber (1,000-lb. bales)—			
Stocks Aug. 31	589	(a)	334
Produced	275	(a)	674
Shipped	(a)	(a)	933
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Aug. 31	706	1,020	1,939
Produced	285	256	354
Shipped	599	654	700
(a) Not given to avoid disclosure of figures for individual companies.			
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of September:			
Weekly earnings—			
All manufacturing	$83.20	*$82.80	$81.81
Durable goods	89.06	*88.66	88.38
Nondurable goods	74.66	*74.26	72.44
Hours—			
All manufacturing	40.0	*40.0	40.7
Durable goods	40.3	*40.3	41.3
Nondurable goods	39.5	*39.5	39.8
Hourly earnings—			
All manufacturing	$2.08	$2.07	$2.01
Durable goods	2.21	2.20	2.14
Nondurable goods	1.89	*1.88	1.82
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Sept.:			
Industrials (125)	4.27	3.98	4.04
Railroads (25)	7.34	6.66	5.93
Utilities (not incl. Amer. Tel. & Tel.) (24)	5.12	4.99	4.79
Banks (15)	4.81	4.62	4.17
Insurance (10)	3.49	3.34	3.34
Average (199)	4.50	4.21	4.24
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Sept.	£12,061,000	£14,578,000	£17,399,000
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of June	2,745	2,894	2,755
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of Aug. 15:			
All farm products	248	247	236
Crops	233	239	233
Commercial vegetables, fresh	248	288	204
Cotton	278	273	263
Feed, grains and hay	169	170	197
Food grains	217	218	218
Fruit	200	219	203
Oil-bearing crops	252	261	249
Potatoes	172	167	212
Tobacco	469	460	451
Livestock	260	254	238
Dairy products	260	252	257
Meat animals	301	297	257
Poultry and eggs	167	155	171
Wool	305	312	234
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of June:			
Net railway operating income	$74,030,561	$80,798,428	$95,258,446
Other income	22,578,661	22,721,083	21,625,532
Total income	96,609,222	103,519,511	116,883,978
Miscellaneous deductions from income	4,073,099	4,182,991	4,673,205
Income available for fixed charges	92,536,123	99,336,520	112,210,773
Income after fixed charges	61,696,853	68,845,598	81,872,490
Other deductions	4,356,481	4,350,452	4,188,281
Net income	57,340,372	64,495,146	77,684,209
Depreciation (way & structure & equipment)	48,590,157	48,280,315	45,868,122
Federal income taxes	24,169,191	27,302,036	35,730,567
Dividend appropriations:			
On common stock	34,270,657	39,707,633	31,236,264
On preferred stock	1,069,769	4,693,549	1,475,523
Ratio of income to fixed charges	3.00	3.26	3.70

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Alabama National Life Insurance Co.
Oct. 2 (letter of notification) 37,783 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To selling stockholders. **Office**—Bessemer, Ala. **Underwriter**—Joe S. Hanson, 794 Navy Bldg., Pensacola, Fla.

Allstate Commercial Corp., New York (11/14)
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

American & Foreign Power Co., Inc. (10/29-30)
Oct. 7 filed 185,000 shares of common stock (no par). **Price**—To be related market price on the New York Stock Exchange at time of public offering. **Proceeds** — To Electric Bond & Share Co. **Underwriters**—Lazard Freres & Co. and The First Boston Corp., both of New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

American Telephone & Telegraph Co. (10/29)
Oct. 3 filed $250,000,000 of 26-year debentures due Nov. 1, 1983. **Proceeds**—For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for property additions and improvements; and for general corporate purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids** —To be received at Room 2315, 195 Broadway, New York, N. Y., up to 11:30 a. m. (EST) on Oct. 29.

Ampal-American Israel Corp., New York
Oct. 14 filed $5,000,000 of five-year 6% sinking fund debentures, series F, due 1962. **Price**—At 100% of principal amount. **Proceeds**—To purchase machinery and equipment. **Underwriter**—None.

A M I, Inc., Grand Rapids, Mich.
Oct. 4 filed 114,323 shares of common stock (par $3), with warrants, to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—$9 per share. Warrants entitle holder to purchase one additional share at $10 per share for each share subscribed for. **Proceeds**—To retire 5% mortgage note, 5% unsecured notes and to reduce bank loans. **Underwriter**—None. Cage Trust, a trust organized under the laws of the State of Liechtenstein, has agreed to purchase any unsubscribed shares.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ **Beneficial Finance Co., Wilmington, Del. (11/7)**
Oct. 17 filed $50,000,000 of 25-year debentures due Nov. 1, 1982. **Price**—To be supplied by amendment. **Proceeds** —To reduce short-term bank loans. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

● **Brockton Edison Co.**
Sept. 18 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on Oct. 23 at 49 Federal St., Boston, Mass., but none were received. Company to seek to negotiate the sale to a banking group.

● **Brockton Edison Co.**
Sept. 18 filed $3,000,000 first mortgage and collateral trust bonds due 1987. **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Blair & Co. Incorporated. **Bids** — Had been expected to be received up to 11 a.m. (EST) on Oct. 30 at 49 Federal St., Boston, Mass., but offering has been temporarily postponed.

California Interstate Telephone Co. (11/7)
Oct. 14 filed 150,000 shares of common stock (par $5). **Price**—To be supplied by amendment **Proceeds**—To repay bank loans and for construction program. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

● **Camco, Inc., Houston, Texas (10/29-30)**
Oct. 7 filed 84,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans; for capital expenditures; and for increased inventory and working capital. **Underwriter** —Lee Higginson Corp., New York.

Canada Mortgage Bonds, Ltd., Englewood, N. J.
Sept. 3 filed $1,000,000 of 8% mortgage bond trust certificates. **Price** — At par (in units of $250, $500 and $1,000). **Proceeds** — For purchase of mortgage bonds. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada
Sept. 27 filed 4,851,810 shares of common stock (par 16⅔ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None

Caramba Mokafe Corp. of America
July 12 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—Garden State Securities, Hoboken, N. J.

Caruso Foods, Inc. (10/29)
Oct. 3 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Business**—Spaghetti, macaroni, etc. products. **Office**—2891-99 Nostrand Ave., Brooklyn, N. Y. **Underwriter** — Anglo-American Securities, Inc., New York.

Carter-Jones Drilling Co., Inc.
Sept. 27 filed 300,000 shares of capital stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** —To repay bank loans and other indebtedness; to participate in the acquisition and exploration of oil properties in joint venture arrangements with other companies in which the company does not propose to retain more than a 25% interest or assume more than 25% of the risk; and for general working capital. **Office**—Kilgore, Tex. **Underwriter**—None.

★ **Caterpillar Tractor Co. (11/13)**
Oct. 23 filed $65,000,000 of sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—For plant expenditures and working capital. **Underwriter** —Blyth & Co., Inc., San Francisco and New York.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York.

Chatham Oil Producing Corp.
July 29 (letter of notification) 100,000 shares of 19 cent non-cumulative convertible first preferred stock (par 30 cents). **Price**—$3 per share. **Proceeds**—For oil development operations. **Office**—42 Broadway, New York 4, N. Y. **Underwriter**—G. F. Rothschild & Co., Inc., New York, N. Y.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York. **Offering**—Expected at any time.

Cleary (W. B.), Inc.
Oct. 3 (letter of notification) 5,600 shares of common stock (par $5) to be offered to stockholders of record Sept. 26, 1957 on the basis of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—For accounts payable; and drilling for oil and gas wells. **Office**—272 First National Building, Oklahoma City 2, Okla. **Underwriter**—None.

● **Coastal Ship Corp. (11/4-8)**
Sept. 13 filed $6,000,000 of 6% debentures due Feb. 1, 1968 (with warrants to purchase 80,000 shares of common stock of Coastal, of which 60,000 shares are included in the public offering and exercisable at $1 per share; and 20,000 shares to be privately placed; and warrants to purchase an undetermined number of shares of McLean Industries, Inc., class A common stock at market, the exact number of shares to be established at a later date. **Price**—To be supplied by amendment (expected at 100% for debentures). **Proceeds**—Together with other funds, to purchase five C-2 freighters to be converted into trailerships. **Underwriters**—Eastman Dillon, Union Securities & Co. and White, Weld & Co., both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. Statement effective Aug. 10.

● **Commercial Credit Co.**
Oct. 10 filed $50,000,000 senior notes due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York. **Offering**—Temporarily postponed.

★ **Consumers Cooperative Association, Kansas City, Mo.**
Oct. 23 filed 240,000 shares of 5% preferred stock and 4,000 shares of 4% second preferred stock. **Price** — At par ($25 per share). **Proceeds**—To be added to general funds. **Underwriter**—None.

Consumers Power Co.
Sept. 24 filed $35,156,700 of 4⅝% convertible debentures due 1972 being offered for subscription by common stockholders of record Oct. 16, 1957 on the basis of $100 of debentures for each 25 shares of stock held; rights to expire on Nov. 1, 1957. **Price**—100% of principal amount. **Proceeds** — To repay bank loans and for construction program. **Underwriter** — Morgan Stanley & Co., New York.

Continental Insurance Co.
Oct. 10 filed 1,700,000 shares of capital stock (par $5) to be offered in exchange for capital stock (par $7.50) of Firemen's Insurance Co., Newark, N. J., at the rate of 17 shares of Continental for every 20 shares of Firemen's stock. The offer, which is subject to acceptance of not less than 80% of the Firemen's stock, will expire Dec. 2, 1957, but may be extended to Dec. 31, 1957. **Underwriter** —None.

● **Continental Screw Co.**
Sept. 24 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from sale of $1,500,000 6% bonds (with stock purchase warrants), to purchase assets of old Massachusetts corporation and of Hy-Pro Tool Co. **Underwriter**—Lee Higginson Corp., Boston and New York. **Offering**—Indefinitely postponed.

Cooperative Grange League Federation, Inc.
Sept. 27 filed $600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par $100; and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

Dayton Power & Light Co. (11/6)
Oct. 8 filed $25,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co., Inc., The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers. **Bids**—To be received up to 11 a.m. (EST) on Nov. 6 at Irving Trust Co., One Wall St., New York 15, N. Y.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

● **Dow Chemical Co. (11/4)**
Oct. 3 filed 200,000 shares of common stock (par $5) to be offered for subscription by employees of the company, its subsidiaries and certain associated companies. Subscriptions will be accepted by the company from Nov. 4 through Nov. 22. **Price**—$42.25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Dow Chemical Co.
Oct. 9 filed 20,000 shares of common stock (par $5) to be offered for subscription by Dow Corning Corp. to its employees. **Proceeds**—None, shares to be purchased on the open market.

Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capital expenditures and working capital. **Business** — Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

Empire Sun Vally Mining Corp. (11/4)
Aug. 9 filed 340,000 shares of common stock, of which 200,000 shares are to be publicly offered at $3 per share and 140,000 shares to stockholders of Sun Valley Mining Corp. at $1 per share. **Proceeds**—For exploration and acquisition of mines; and for working capital. **Office**—Jerome, Idaho. **Underwriter** — For public offer, John Sherry Co., New York.

Fall River Power Co., Colorado Springs, Colo.
Aug. 23 filed 500,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—To pay off note, purchase equipment and milling facilities, for development work, and for acquisition of additional property, working capital and other corporate purposes. **Underwriter** —None.

Continued on page 42

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First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

Forest Laboratories, Inc.
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Foster Grant Co., Inc.
Sept. 20 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion program and working capital. **Office** — Leominster, Mass. **Underwriter** — Wertheim & Co., New York. **Offering** — Indefinitely postponed because of present market conditions.

★ **Gate City Steel, Inc., Omaha, Neb. (11/11-15)**
Oct. 17 filed 30,000 shares of 6½% cumulative preferred stock (par $100), with common stock purchase warrants to buy 60,000 shares of common stock; and 40,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To retire outstanding preferred stocks and short-term bank loans and for general corporate purposes. **Underwriter**—The First Trust Co. of Lincoln, Neb.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

★ **General Investors Trust, Boston, Mass.**
Oct. 17 filed (by amendment) 250,000 shares of beneficial interest in the Trust. **Price**—At market. **Proceeds**—For investment.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Giant Petroleum Corp.
July 22 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To pay outstanding debt and for working capital. **Office**—225 East 46th St., New York, N. Y. **Underwriter**—A. G. Bellin Securities Corp., 52 Broadway, New York, N. Y.

★ **Great Divide Oil Corp. (10/28)**
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

● **Great Lakes Natural Gas Corp.**
July 15 filed 794,991 shares of common stock (par 50 cents) being offered for subscription by common stockholders of Great Lakes Oil & Chemical Co. on basis of one share of Natural Gas stock for each four shares of Oil & Chemical stock held as of Oct. 14, 1957 (with an oversubscription privilege); rights will expire on Oct. 29, 1957. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Office**—Los Angeles, Calif. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Gulf States Land & Industries, Inc.
Sept. 25 filed 316,814 shares of common stock (par 50 cents) and $2,754,900 6% first mortgage sinking fund bonds due 1972 to be offered in exchange for the outstanding $4.50 prior preferred stock on the following basis: For each preferred share (a) 11½ shares of common stock, or (b) $100 of bonds, plus 1½ shares of stock. The offer is conditioned upon its acceptance by holders of at least 85% of the 27,549 outstanding preferred shares. **Exchange Agent** — Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

★ **Hamilton Oil & Gas Corp.**
Oct. 1 (letter of notification) 1,176,000 shares of common stock (par 25 cents) and 1,176,000 option rights to be offered in units of one share and one option right. **Price**—25½ cents per unit. **Proceeds**—For drilling and working capital. **Office**—1507 Mile High Center, Denver 2, Colo. **Underwriter**—None.

NEW ISSUE CALENDAR

October 25 (Friday)

Woodbury Telephone Co. ---- Common
(Offering to stockholders—no underwriting) 3,533 shares

October 28 (Monday)

Great Divide Oil Corp. ---- Common
(Birkenmayer & Co.) $300,000

Otter Tail Power Co. ---- Debentures
(Offering to stockholders—underwritten by Halsey, Stuart & Co. Inc.) $5,220,600

Parker-Hannifin Corp. ---- Common
(Kidder, Peabody & Co.) 130,000 shares

Strato-Missiles, Inc. ---- Common
(Kesselman & Co.) $300,000

October 29 (Tuesday)

American & Foreign Power Co. Inc. ---- Common
(Lazard Freres & Co. and The First Boston Corp.) 185,000 shares

American Telephone & Telegraph Co. ---- Debentures
(Bids 11:30 a.m. EST) $250,000,000

Camco, Inc. ---- Common
(Lee Higginson Corp.) 84,000 shares

Caruso Foods, Inc. ---- Common
(Anglo-American Securities, Inc.) 150,000 shares

Johnson Service Co. ---- Common
(Bids 11 a.m. EDT) 3,600 shares

National Cylinder Gas Co. ---- Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $17,500,000

Victoreen Instrument Co. ---- Debentures
(Saunders, Stiver & Co.) $1,000,000

October 30 (Wednesday)

Baltimore & Ohio RR. ---- Equip. Trust Ctfs.
(Bids to be invited) $2,600,000

Simplicity Pattern Co., Inc. ---- Common
(Merrill Lynch, Pierce, Fenner & Beane) 155,000 shares

Time Finance Corp. ---- Debentures
(Coffin & Burr, Inc.) $750,000

October 31 (Thursday)

Reichhold Chemicals, Inc. ---- Common
(Blyth & Co., Inc.) 200,000 shares

San Diego Gas & Electric Co. ---- Preferred
(Blyth & Co., Inc.) $7,500,000

Southern Pacific Co. ---- Equip. Trust Ctfs.
(Bids noon EST) $6,000,000

November 1 (Friday)

Maine Public Service Co. ---- Common
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 50,000 shares

Smith-Corona, Inc. ---- Debentures
(Offering to common stockholders—underwritten by Lehman Brothers) $6,050,900

Southern Union Gas Co. ---- Debentures
(Snow, Sweeney & Co., Inc. and A. C. Allyn & Co., Inc.) $9,000,000

November 4 (Monday)

Coastal Ship Corp. ---- Debentures
(Eastman Dillon, Union Securities & Co. and White, Weld & Co.) $6,000,000

Dow Chemical Co. ---- Common
(Offering to employees. No underwriting) 200,000 shares

Empire Sun Valley Mining Corp. ---- Common
(John Sherry Co.) $200,000

Ritter Finance Co., Inc. ---- Debentures
(Stroud & Co., Inc.) $900,000

Ritter Finance Co., Inc. ---- Class B Common
(Stroud & Co., Inc.) 150,000 shares

November 6 (Wednesday)

Dayton Power & Light Co. ---- Bonds
(Bids 11 a.m. EST) $25,000,000

Merrimack-Essex Electric Co. ---- Bonds
(Bids to be invited) $20,000,000

November 7 (Thursday)

Beneficial Finance Co. ---- Debentures
(Eastman Dillon, Union Securities & Co.) $50,000,000

California Interstate Telephone Co. ---- Common
(William R. Staats & Co.) 150,000 shares

Hewlett-Packard Co. ---- Common
(Blyth & Co., Inc.) 300,000 shares

Perkin-Elmer Corp. ---- Common
(Blyth & Co., Inc.) 100,000 shares

San Diego Gas & Electric Co. ---- Bonds
(Bids 8:30 a.m. PST) $12,000,000

November 11 (Monday)

Gate City Steel, Inc. ---- Preferred
(The First Trust Co. of Lincoln, Neb.) $3,000,000

Gate City Steel, Inc. ---- Common
(The First Trust Co. of Lincoln, Neb.) 40,000 shares

Hycon Manufacturing Co. ---- Common
(Dempsey-Tegeler & Co.) 400,000 shares

Roach (Hal) Productions ---- Common
(S. D. Fuller & Co.) $1,125,000

November 12 (Tuesday)

Transcontinental Gas Pipe Line Corp. ---- Debens.
(White, Weld & Co. and Stone & Webster Securities Corp.) $20,000,000

Transcontinental Gas Pipe Line Corp. ---- Common
(White, Weld & Co. and Stone & Webster Securities Corp.) 1,000,000 shares

November 13 (Wednesday)

Caterpillar Tractor Co. ---- Debentures
(Blyth & Co., Inc.) $65,000,000

Southern Colorado Power Co. ---- Debentures
(Offering to stockholders—to be underwritten by Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis) $1,780,780

November 14 (Thursday)

Allstate Commercial Corp. ---- Common
(Midland Securities, Inc.) $384,450

Savannah Electric & Power Co. ---- Bonds
(Bids 11 a.m. EST) $6,000,000

United States Coconut Fiber Corp. ---- Common
(Southeastern Securities Corp.) 735,000 shares

November 15 (Friday)

Wisconsin Southern Gas Co., Inc. ---- Common
(Offering to stockholders—to be underwritten by The Milwaukee Co.) 16,566 shares

November 18 (Monday)

Lawrence Gas Co. ---- Bonds
(Bids 11:30 a.m. EST) $2,000,000

Michigan Bell Telephone Co. ---- Debentures
(Bids 11:30 a.m. EST) $40,000,000

Mystic Valley Gas Co. ---- Bonds
(Bids to be invited) $3,500,000

Standard Oil Co. (New Jersey) ---- Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 6,565,000 shares

November 19 (Tuesday)

Florida Power & Light Co. ---- Common
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 300,000 shares

Idaho Power Co. ---- Bonds
(Bids to be invited) $15,000,000

Middle South Utilities Inc. ---- Common
(Bids noon EST) 451,894 shares

Ohio Power Co. ---- Bonds
(Bids 11 a.m. EST) $25,000,000

November 20 (Wednesday)

Houston Lighting & Power Co. ---- Bonds
(Bids 11:30 a.m. EST) $40,000,000

December 3 (Tuesday)

Virginia Electric & Power Co. ---- Bonds
(Bids to be invited) $20,000,000

December 4 (Wednesday)

Norfolk & Western Ry. ---- Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

December 9 (Monday)

Chesapeake & Potomac Telephone Co. of Maryland ---- Debentures
(Bids 11:30 a.m. EST) $30,000,000

December 11 (Wednesday)

Baltimore & Ohio RR. ---- Equip. Trust Ctfs.
(Bids to be invited) $2,600,000

Suburban Electric Co. ---- Bonds
(Bids to be invited) [illegible]

January 22, 1958 (Wednesday)

Norfolk & Western Ry. ---- Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

February 13, 1958 (Thursday)

Indiana & Michigan Electric Co. ---- Bonds
(Bids 11 a.m. EST) $25,000,000

Hampshire Nickel Mines Ltd.
Aug. 23 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price** — 50 cents per share. **Proceeds**—For development of property and for general corporate purposes. **Office** — Suite 607, 320 Bay St., Toronto, Canada. **Underwriter** — H. J. Cooney & Co., New York.

Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1967, to be offered in exchange for 3% first and general mortgage bonds, series D, due May 1, 1982, of Connecticut Power Co. on a par-for-par basis. **Underwriter**—None.

● **Hewlett-Packard Co., Palo Alto, Calif. (11/7)**
Oct. 9 filed 350,000 shares of capital stock (par $1), of which 300,000 shares are to be publicly offered for the account of two selling stockholders and 50,000 shares for the account of the company to employees under a restricted stock option plan. **Price**—To be supplied by amendment. **Proceeds**—To company to be used for working capital. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

★ **Howell (Robert) Corp.**
Oct. 8 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For two months' operations and equipment. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—None.

Hudson's Bay Oil & Gas Co. Ltd.
Aug. 27 filed 1,744,592 shares of capital stock (par $2.50) being offered for subscription by stockholders of Continental Oil Co. and by holders of ordinary shares of The Governor and Company of Adventurers of England Trading into Hudson's Bay ("Hudson's Bay Co."). The offering to stockholders of Continental Oil Co. is at the rate of one share for each 15 shares of Continental Oil stock held of record Sept. 16, 1957, while the offering to holders of ordinary shares of Hudson's Bay Co. Ltd. is at the rate of 1 1/6 shares of Hudson's Bay Oil & Gas stock for each 15 ordinary shares held of record Sept. 3, 1957; rights will expire on November 1, 1957. **Price**—$11 per share (Canadian funds). **Proceeds**—For development and exploration costs. **Office** — Calgary, Alta., Canada. **Underwriter**—None. Continental Oil and Hudson's Bay Co. have agreed to purchase 75% and 25% respectively, of the shares which shall not be subscribed for by the stockholders of the two companies. **Financial Adviser**—Morgan Stanley & Co., New York.

Hutchinson Telephone Co., Hutchinson, Minn.
Aug. 21 (letter of notification) 1,697 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each five shares held as of Aug. 20, 1957. **Price**—At par ($10 per share). **Proceeds**—For expansion of plant. **Underwriter**—None.

★ **Hycon Mfg. Co., Pasadena, Calif. (11/11-15)**
Oct. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan, for capital improvements, research and development costs and working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ **Hyde Park Cooperative Society, Inc., Chicago, Ill.**
Oct. 16 (letter of notification) 8,000 shares of common stock to be offered to members or applicants for membership; $30,000 of 10-year 5%, 5-year 4½%, and 3-year 3½% certificates of indebtedness to be offered to members holding $200 or more of common stock. **Price**—At par. **Proceeds**—For working capital. **Office**—5535 South Harper Ave., Chicago 37, Ill. **Underwriter**—None.

★ **Idaho Power Co. (11/19)**
Oct. 16 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids**—Expected to be received on Nov. 19.

★ **Idaho Power Co.**
Oct. 16 filed 225,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Names to be supplied by amendment. Bidders on last sale of common stock were Kidder, Peabody & Co.; and Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

Inland Western Loan & Finance Corp.
Aug. 16 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of special participation life or endowment contracts issued by Commercial Life Insurance Co. **Price**—$1.50 per share. **Proceeds**—For operating capital for two subsidiaries and to finance expansion program. **Office**—Phoenix, Ariz. **Underwriter**—None.

Intra State Telephone Co.
Sept. 27 filed 4,900 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each two shares held of record Oct. 18, 1957; rights to expire on Dec. 16, 1957. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans. **Office**—Galesburg, Ill. **Underwriter**—None.

Israel-Mediterranean Petroleum, Inc. of Panama
Sept. 27 filed voting trustees covering 1,000,000 shares of common stock (par one cent). **Price**—At the market on the American Stock Exchange. **Proceeds**—For exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. **Underwriter**—None.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

Johnson (F. N.) Co.
Oct. 4 (letter of notification) 25,000 shares of common stock (par $1) to be offered to stockholders of record Oct. 15, 1957 on the basis of one new share for each six shares held; rights to expire on Nov. 9, 1957. **Price**—$10 per share. **Proceeds**—For construction of an addition to a warehouse in Bellefontaine, Ohio. **Address**—Route No. 33, 4 miles northwest of Bellefontaine, Ohio. **Underwriter**—None.

Ketchum & Co., Inc., New York City
Sept. 27 filed 210,000 shares of common stock (par $1), of which 43,000 shares are to be offered for account of the company and 167,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including carrying of larger inventories. **Business**—Wholesale drugs. **Underwriter**—To be named by amendment.

"Koor" Industries & Crafts Co., Ltd.
Aug. 26 filed 30,000 shares of 6½% cumulative participating preferred stock (par IL 180—$100). **Price**—$100 per share (payable in cash or up to certain limits in State of Israel Independence Issue Bonds and State of Israel Development Issue Bonds). **Proceeds** — For advances to subsidiaries in connection with their expansion programs. **Office**—Haifa, Israel. **Underwriter**—None.

★ **Lawrence Gas Co. (11/18)**
Oct. 18 filed $2,000,000 first mortgage bonds, series A, due Nov. 1, 1977. **Proceeds** — To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received at 441 Stuart St., Boston 16, Mass., up to 11:30 a.m. (EST) on Nov. 18.

● **Maine Insurance Co., Portland, Me.**
Aug. 22 filed 53,500 shares of capital stock (par $3), of which 11,000 shares, at $5.31¼ per share, are to be offered for subscription by stockholders of record July 1, 1957 at the rate of one new share for each share held. The remaining 42,500 shares are to be offered to directors, employees and agents of the company for a period of 14 days at $5.62½ per share. **Price**—$6.25 to public. **Proceeds**—To increase capital and surplus. **Underwriter**—First Maine Corp., Portland, Me. Burton M. Cross, President, will purchase any shares not subscribed for by stockholders. Statement effective Oct. 10.

Maine Public Service Co. (11/1)
Oct. 9 filed 50,000 shares of common stock (par $7). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—A. G. Becker & Co. Inc., Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., all of New York.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ **McCormick & Co., Inc.**
Oct. 10 (letter of notification) 2,040 shares of common stock (no par) to be offered to certain employees. **Price**—$24.50 per share. **Proceeds** — For working capital. **Office**—414 Light St., Baltimore 2, Md. **Underwriter**—None.

Merrimack-Essex Electric Co. (11/6)
Oct. 2 filed $20,000,000 of first mortgage bonds, series B, due Nov. 1, 1987. **Proceeds**—For redemption of bonds of Lawrence Electric Co., for payment of three-year debenture bond dated March 30, 1956 of Lowell Electric Light Corp.; and for payment of short term notes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and White, Weld & Co. jointly). **Bids**—To be opened on Nov. 6.

Middle South Utilities, Inc. (11/19)
Oct. 9 filed 451,894 shares of common stock (par $10). **Proceeds**—For further investments in common stocks of system operating companies; to repay bank loans and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received up to noon (EST) on Nov. 19 at Room 2033, Two Rector St., New York, N. Y.

★ **Middle South Utilities, Inc.**
Oct. 17 filed 25,000 shares of common stock (par $10), which may be purchased under the Stock Purchase Plan for employees of the company and its subsidiaries.

Missouri Utilities Co.
Oct. 7 filed 25,135 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 12 shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds** — Together with funds from private sale of $800,000 5¾% first mortgage bonds, series C, to be used to retire bank loans and pay for property additions and improvements. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office**—Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Mystic Valley Gas Co. (11/18)
Oct. 16 $3,500,000 first mortgage bonds, series B, due 1977. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co. Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Lehman Brothers. **Bids**—To be received up to noon (EST) on Nov. 18 at 441 Stuart St., Boston 16, Mass.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

● **National Cylinder Gas Co. (10/29-31)**
Aug. 28 filed $17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

Oglethorpe Life Insurance Co., Savannah, Ga.
Sept. 13 (letter of notification) 26,932 shares of common stock (par $2.50), of which 17,932 shares are being offered to present stockholders and 9,000 shares are offered to employees. **Price** — $11 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Johnson, Lane, Space Corp. and Varnedoe, Chisholm & Co., both of Savannah, Ga.

Ohio Power Co. (11/19)
Sept. 30 filed $25,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman, Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

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Otter Tail Power Co. (10/28)
Oct. 4 filed $5,220,600 of 5¼% convertible debentures due Nov. 1, 1967, to be offered for subscription by common stockholders of record Oct. 25, 1957 on the basis of $100 of debentures for each 14 common shares held; rights to expire on Nov. 12. **Price**—At par. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Halsey, Stuart & Co. Inc., of Chicago and New York.

Pacific Petroleums, Ltd.
Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleums, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. **Office**—Calgary, Alberta, Canada. **Underwriter**—None.

Palestine Economic Corp., New York
Sept. 26 filed 130,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For participation in further development of Israel industry; for capital improvements; for extension of cooperative and other banking credit; for financing of export to Israel; for investment in stock of two companies; and for working capital and other corporate purposes. **Underwriter**—None.

Pan-Israel Oil Co., Panama
Sept. 27 filed voting trust certificates covering 1,000,000 shares of common stock (par one cent). **Price**—At market on the American Stock Exchange. **Proceeds** — For exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. **Underwriter**—None.

● **Parker-Hannifin Corp., Cleveland, O. (10/28)**
Oct. 7 filed 130,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other debt and for working capital. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Perkin-Elmer Corp., Norwalk, Conn. (11/7)**
Oct. 17 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Blyth & Co., Inc., New York.

★ **Planned Securities Corp., Bossier, La.**
Oct. 16 (letter of notification) 25,000 shares of 6% cumulative preferred stock (par $1) and 50,000 shares of class A common stock (par 10 cents) to be offered in units of one preferred and two common shares. **Price**—$7 per unit. **Proceeds** — For working capital, etc. **Office** — 113 Magnolia Court, Bossier, La. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

Putnam Growth Fund, Boston, Mass.
Oct. 1 filed 500,000 shares of beneficial interest in the Fund. **Price** — At market. **Proceeds** — For investment. **Underwriter** — Putnam Fund Distributors, Inc., Boston, Mass.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Rapid Electrotype Co., Cincinnati, Ohio
Oct. 2 filed $6,500,000 of 7% sinking fund subordinated debentures due Nov. 15, 1967, to be offered in exchange for common stock of American Colortype Co. at rate of $40 of debentures for each Colortype common share. The offer will expire Nov. 14, 1957, unless extended, and shall become effective whenever it has been accepted by holders of 40,000 Colortype common shares, but may be declared effective as to all or any lesser number of such shares. Electrotype already owns 125,787 shares (52.66%) of the outstanding Colortype common shares. **Underwriter**—None.

● **Reading Tube Corp.**
Aug. 30 filed 155,014 shares of common stock (par $1), subsequently amended and reduced to 100,000 shares. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for working capital. **Underwriter**—Emanuel, Deetjen & Co., New York. **Offering**—Temporarily postponed.

● **Reichhold Chemicals, Inc. (10/31)**
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

★ **Retired Postmasters Florida Homes Inc.**
Oct. 9 (letter of notification) 20,000 shares of common stock (par $1). **Price** — $1.25 per share. **Proceeds**—To purchase acreage for resale. **Office** — 216 Keller Ave., North Judson, Ind. **Underwriter**—None.

★ **Rio Grande Mortgage & Investment Co., Inc.**
Oct. 16 (letter of notification) 137,500 shares of 2% non-cumulative participating preferred stock (par $1). **Price**—$1.25 per share. **Proceeds**—For real estate contracts, sales contracts and mortgages. **Office** — 130-A Jackson St., N. E., Albuquerque, N. M. **Underwriter**—None.

Ritter Finance Co., Inc., Wyncote, Pa. (11/4-8)
Oct. 11 filed $900,000 of 6% debentures due 1977 (with class B common stock warrants attached), together with 240,000 shares of class B common stock, of which all of the debentures and 150,000 shares of class B stock will be offered publicly and the remaining 90,000 class B shares reserved for exercise of stock warrants. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

● **Roach (Hal) Productions (11/11-15)**
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Office**—Culver City, Calif. **Underwriter**—S. D. Fuller & Co., New York.

Roanoke Gas Co.
Sept. 18 (letter of notification) 19,160 shares of common stock (par $5) being offered to common stockholders of record Sept. 30 on the basis of one share for each five shares held; rights to expire on Oct. 31, 1957. **Price**—$15 per share. **Proceeds**—For construction program. **Office**—125 West Church Ave., Roanoke, Va. **Underwriter**—None.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

Rotor Tool Co.
Sept. 25 (letter of notification) 1,278 shares of common stock (par $1) being offered to stockholders of record on Oct. 10, 1957 on the basis of one new share for 30 shares held; rights to expire Nov. 9, 1957. **Price** — $38.50 per share. **Proceeds**—For general corporate purposes. **Office**—26300 Lakeland Blvd., Cleveland, Ohio. **Underwriter**—None.

Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo.

San Diego Gas & Electric Co. (10/31)
Oct. 8 filed 375,000 shares of cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

● **San Diego Gas & Electric Co. (11/7)**
Oct. 8 filed $12,000,000 of first mortgage bonds, series G, due 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Salomon Bros. & Hutzler; Lehman Brothers; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be received up to 8:30 a.m. (PST) on Nov. 7 at Room 1200, 111 Sutton St., San Francisco 4, Calif.

San Jose Water Works, San Jose, Calif.
Oct. 14 filed 40,000 shares of cumulative convertible preferred stock, series E (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Savannah Electric & Power Co. (11/14)**
Oct. 16 filed $6,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Nov. 14 at 90 Broad St., New York, N. Y.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

★ **Seacol, Inc.**
Sept. 30 (letter of notification) 90 shares of common stock. **Price** — At par ($100 per share). **Proceeds** — To establish value of claims and see if further development is justified. **Office** — 835 Central Bldg., Seattle, Wash. **Underwriter**—None.

Shacron Oil Corp.
Sept. 11 (letter of notification) 40,000 shares of common stock ((par $1) to be offered for subscription by stockholders; then to public. **Price**—$1.25 per share to stockholders; $1.37½ to public. **Proceeds**—For expenses incidental to drilling of oil wells. **Office**—Suite 14, 1500 Massachusetts Ave., N. W., Washington, D. C. **Underwriter**—None.

Signet Distilleries Ltd., Regina, Canada
Sept. 27 filed 250,000 shares of 7% deferred cumulative redeemable preferred stock (par $10) warrants to purchase and 250,000 shares of common stock to be offered in units of one share of each class of stock. **Price**—$10 per unit. Warrants are to be initially exercisable at $1 per common share. **Proceeds**—For distillation equipment; cost of building and land; and for working capital and other corporate purposes. **Underwriter**—Regent Securities Ltd., Regina, Canada.

● **Simplicity Pattern Co. Inc. (10/30)**
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Smith-Corona, Inc. (11/1)
Oct. 11 filed $6,050,900 of convertible subordinated debentures due May 1, 1978, to be offered for subscription by common stockholders of record October 31 on the basis of $100 principal amount of debentures for each 14 common shares held; rights to expire on Nov. 18. **Price**—To be supplied by amendment. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—Lehman Brothers, New York.

★ **Southern Colorado Power Co. (11/13)**
Oct. 21 filed $1,780,780 of convertible debentures due Dec. 1, 1972 to be offered for subscription by common stockholders of record about Nov. 13, 1957 on the basis of $100 of debentures for each 40 shares of stock held; rights to expire about Nov. 27, 1957. **Price** — 100% of principal amount. **Proceeds**—Together with funds from private sale of $1,500,000 5⅜% first mortgage bonds, to repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis, both of New York.

Southern New England Telephone Co.
Sept. 25 filed 1,358,300 shares of capital stock being offered for subscription by stockholders of record Oct. 7, 1957 on the basis of one new share for each four shares held; rights to expire on Nov. 8, 1957. **Price**—At par ($25 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., which owns 1,173,696 shares (21.6%) of Southern capital stock. **Underwriter**—None.

Southern Union Gas Co. (11/1)
Oct. 10 filed $9,000,000 of sinking fund debentures due 1982. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for property additions and improvements. **Underwriters**—Snow, Sweeny & Co. Inc., New York; and A. C. Allyn & Co. Inc., Chicago, Ill.

Standard Oil Co. (New Jersey) (11/18)
Oct. 15 filed a maximum of 6,565,000 shares of capital stock (par $7) to be offered for subscription by stockholders of record Nov. 8, 1957, at the rate of one new share for each 30 shares held; rights to expire on Dec. 18, 1957. **Price**—To be supplied by amendment. **Proceeds**—To increase investments in subsidiary and affiliated companies. **Underwriter**—Morgan Stanley & Co., New York.

Standard Steel Products Manufacturing Co.
Oct. 3 (letter of notification) $165,000 of 7% 10-year debentures and 11,000 shares of common stock (par $2.50) to be offered in units of $30 principal amount of debentures and two shares of stock. **Price**—$45 per unit. **Proceeds**—For equipment and working capital. **Office**—2836 S. 16th St., Milwaukee, Wis. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

● **Strato-Missiles, Inc. (10/28)**
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

★ **Surinam Corp., Houston, Tex.**
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

● **Taylor Instrument Companies**
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders of record Oct. 22, 1957 on the basis of one new share for each four shares held; rights to expire on Nov. 7, 1957. **Price**—To be supplied by amendment. **Proceeds** — To

retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tex-Star Oil & Gas Corp., Dallas, Texas
Oct. 14 filed 600,000 shares of common stock (par $1) to be offered in exchange for leases on certain properties. **Underwriter**—None.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter—None.**

Texas Eastern Transmission Corp.
July 22 filed 1,000,000 shares of common stock (par $7) being offered in exchange, on a share-for-share basis, for capital stock of La Gloria Oil & Gas Co. of Corpus Christi, Tex. The offer was conditioned upon deposit of at least 81% (810,000 shares) of outstanding La Gloria stock prior to Sept. 6, 1957, and it was announced on Aug. 8 that in excess of this amount had been deposited Offer may be extended from time to time but not beyond Dec. 5, 1957. **Underwriter**—None. Statement effective Aug. 6.

★ The "13" Corp.
Oct. 16 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$1.05 per share. **Proceeds**—For equipment, advertising and working capital. **Office**—190 N. West St., Hillsdale, Mich. **Underwriter**—None.

★ Tidewater Marine Service, Inc.
Oct. 14 (letter of notification) 100,000 shares of common stock (par $1) to be offered to stockholders pursuant to transferable subscription warrants to purchase one share for each two shares held. **Price**—$3 per share. **Proceeds**—For payment of bank loans and for working capital. **Office**—Room 217, The Warwick, New Orleans, La. **Underwriter**—None.

• Time Finance Corp., Norwood, Mass. (10/30-31)
Oct. 8 filed $750,000 of convertible subordinated debentures, series A, due Oct. 1, 1969. **Price** — At 100% of principal amount. **Proceeds**—To reduce bank loans and for general corporate purposes. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

★ Transcontinental Gas Pipe Line Corp. (11/12-13)
Oct. 17 filed $20,000,000 of debentures due 1978 and 1,000,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Tucson Gas, Electric Light & Power Co.
Sept. 25 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Blyth & Co., Inc., San Francisco and New York: and The First Boston Corp., New York. **Offering** — Temporarily postponed.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis. **Offering**—Expected this week.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

United States Coconut Fiber Corp. (11/14)
Sept. 30 filed 735,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion program and other corporate purposes. **Office**—Washington, D. C. **Underwriter** — Southeastern Securities Corp., New York.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

Universal Winding Co.
Sept. 25 (letter of notification) $300,000 of 5½% subordinate convertible debentures to be offered for subscription by common stockholders of record Oct. 4, 1957 on the basis of $100 of debentures for each 100 shares of stock held. **Price**—At par. **Proceeds**—For working capital. **Office** — 1655 Elmwood Ave., Cranston, R. I. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

• Victoreen Instrument Co., Cleveland, O. (10/29)
Oct. 9 filed $1,000,000 of 6% convertible subordinated debentures due Nov. 15, 1967 to be offered for subscription by common stockholders at the rate of $100 of debentures for each 100 shares of common stock held; rights to expire about Nov. 11, 1957. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter**—Saunders, Stiver & Co., Cleveland, Ohio.

★ Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

Western Chrome, Inc., Salt Lake City, Utah
Oct. 10 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To develop chromite mines in Siskiyou County in northern California. **Underwriter**—None. J. Bracken Lee is President.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

Woodbury Telephone Co. (10/25)
Sept. 23 (letter of notification) 3,533 shares of common stock to be offered for subscription by common stockholders of record Oct. 25, 1957 on the basis of one new share for each three shares held; rights to expire Nov. 22, 1957. **Price**—At par ($25 per share). **Proceeds**—To repay all short term bank notes and for construction program. **Office**—Woodbury, Conn. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1) **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter** — Teden & Co., Inc., New York.

Prospective Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio. Date indefinite.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp and Wood, Struthers & Co. (jointly); White, Weld & Co and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Baltimore & Ohio RR. (10/30) (12/11)
Bids are expected to be received by the company on Oct. 30 for the purchase from it of $2,600,000 equipment trust certificates, to be followed by an additional $2,600,000 on Dec. 11. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund deb[illegible] construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4¾% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake & Potomac Tel. Co. of Md. (12/9)
July 30 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 9.

City Investing Co., New York
July 30, Robert W. Dowling, President, announced that the directors are giving consideration to the possible future issuance of debentures which could be used largely to acquire investments producing ordinary income as well as those with growth potentials.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Colorado Fuel & Iron Corp.
Oct. 3 it was reported company now plans to issue and sell about $25,000,000 first mortgage bonds due 1977. **Underwriter**—Allen & Co., New York.

Commerce Oil Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York.

Commonwealth Oil Refining Co.
Oct. 7 it was reported company plans to raise $20,000,000 prior to Dec. 15, 1957, probably through the sale of an issue of convertible subordinated debentures, either publicly or privately. **Underwriter** — The First Boston Corp., New York.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Cook Electric Co.
July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

Crucible Steel Co. of America
Sept. 18 it was announced company plans to offer to its common stockholders the right to subscribe for 101,153 shares of cumulative convertible preferred stock on the basis of one share of preferred stock for each 36 shares of common stock held. Stockholders to vote Nov. 7 on approving financing. **Price**—At par ($100 per share). **Proceeds**—Together with funds from sale of additional mortgage bonds, to be used for expansion program. **Underwriter**—The First Boston Corp., New York.

Darco Industries, Inc.
Sept. 23 it was reported registration is expected of approximately 275,000 shares of common stock, of which about 225,000 shares are to be sold for account of company and 50,000 shares for selling stockholders. **Business**—Manufactures products for commercial and military aircraft and missiles. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary **Underwriter**—To be determined by competitive bidding Probable bidders: Halsey Stuart & Co Inc.; Kidder, Peabody & Co.; Blyth & Co Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co (jointly).

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Federation Bank & Trust Co. (N. Y.)
Sept. 12 it was announced stockholders will be given the right to subscribe for 118,900 additional shares of capital stock at the rate of one new share for each three shares held of record Oct. 18, 1957; rights to expire on Dec. 6, 1957. **Price**—$21 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ **Florida Power & Light Co. (11/19)**
Oct. 21 it was announced that company plans to issue and sell 300,000 additional shares of common stock (no par). **Price**—To be named later. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York. **Registration**—Expected today (Oct. 24).

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Hartford National Bank & Trust Co.
Sept. 3 it was announced Bank will offer to its stockholders of record Sept. 25, 1957 the right to subscribe on or before Oct. 15, 1957 for 73,000 additional shares of capital stock (par $10) on the basis of one new share for each 14 shares held. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Houston Lighting & Power Co. (11/20)
Oct. 14 it was reported company plans to offer $40,000,000 first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Nov. 20. **Registration**—Expected Oct. 24.

• **Indiana & Michigan Electric Co. (2/13/58)**
Oct. 21 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 13, 1958.

Johnson Service Co., Milwaukee, Wis.
Sept. 23 it was reported a secondary offering of 100,000 shares of common stock is planned. **Underwriter**—Robert W. Baird & Co., Milwaukee, Wis.

Johnson Service Co., Milwaukee, Wis. (10/29)
Sept. 30 it was announced bids will be received up to 11 a.m. (EST) on Oct. 29 at the Department of Justice, Office of Alien Property, 101 Indiana Ave., N. W., Washington 25, D. C., for the purchase from the Attorney General of the United States of 3,600 shares of capital stock (par $5) of this company (representing less than one-half of 1% of the number of shares outstanding. **Business**—Manufactures automatic temperature and air conditioning control systems.

Laclede Gas Co.
Aug. 5 it was announced company plans to raise up to $11,700,000 new money this year through sale of new securities. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly).

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mangel Stores Corp.
June 19 it was reported company plans registration of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

Michigan Bell Telephone Co. (11/18)
Sept. 11 company applied to Michigan P. U. Commission for authority to issue and sell $40,000,000 of debentures due 1982. **Proceeds** — To repay advances from parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Nov. 18. **Registration** scheduled for Oct. 25.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

Montreal Metropolitan Commission
Sept. 26 it was reported an issue of bonds may be publicly offered in the United States. The Commission rejected a bid of 92.64% for an issue of $6,376,000 of 20-year bonds with an interest rate of 5½%. **Underwriter**—May be determined by competitive bidding. Probable bidders: Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co., and Blyth & Co., Inc. (jointly); Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (jointly).

★ **Norfolk & Western Ry. (12/4) (1/22)**
Bids are expected to be received by this company up to noon (EST) on Dec. 4 for the purchase from it of $4,140,000 equipment trust certificates (second instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. Bids for the remaining $4,140,000 of certificates of the same issue (third instalment) are expected to be received up to noon (EST) on Jan. 22. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
Aug. 29 this company announced that it has deferred until the first half of 1958 its plan to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds** — For construction program. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern Natural Gas Co.
Sept. 9 it was reported company plans to issue and sell $25,000,000 of debentures due 1977. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. **Offering**—Expected in November.

Ohio Water Service Co.
Sept. 26 it was reported company to issue and sell in November an issue of $1,500,000 convertible subordinated debentures. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration** — Expected in about one or two weeks.

Olin Mathieson Chemical Corp.
Sept. 19 it was announced company plans to issue and sell publicly $60,000,000 of convertible subordinate debentures prior to end of this year, subject to market conditions. **Proceeds**—For additional capital needed in connection with development of corporation's business during next few years. **Underwriters**—Dillon, Read & Co. Inc. and Eastman Dillon, Union Securities & Co.

★ **Pacific Gas & Electric Co.**
Oct. 16 directors authorized the sale of $60,000,000 first and refunding mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Offering** — Expected either in December, 1957 or in January, 1958.

Permian Basin Pipe Line Co.
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000 for new construction. **Underwriter** — Glore, Forgan & Co., New York.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in the Fall of 1957 or in 1958 $25,000,000 of preferred stock. **Proceeds** — For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

Quebec Hydro-Electric Commission
Oct. 7 it was reported that the company may be considering a proposal to raise between $30,000,000 and $50,000,000 additional funds this year. **Underwriters**—The First Boston Corp. and A. E. Ames & Co., both of New York.

Royal Dutch Petroleum Co.
Oct. 3 it was announced company plans early in 1958 to raise between Fls.800 million and Fls.1,000 million (equivalent to $211,000,000 and $263,000,000) through a "rights" offering to stockholders. **Price** — To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co. in U. S.

Ryder System, Inc.
Aug. 28 it was announced company plans to sell publicly in the Fall an additional 200,000 shares of its common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., New York.

Shell Transport & Trading Co., Ltd.
Oct. 3 it was announced company plans to offer to stockholders early in 1958 between £40,000,000 and £55,000,000 additional capital stock (equivalent to $112,000,000 and $154,000,000). **Price** — To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Grenfell & Co., Ltd., London, England.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until the Fall.

• **Southern Pacific Co. (10/31)**
Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EST) on Oct. 31 for the purchase from it of $6,000,000 equipment trust certificates, series ZZ, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Suburban Electric Co. (12/11)
Aug. 21 it was announced company plans to issue and sell $4,500,000 of first mortgage bonds, series B, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be opened on Dec. 11.

Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

Toledo Scale Co.
Sept. 26 it was reported that, following merger with Houghton Elevator Co., Toledo Scale Co. plans to issue some additional common stock. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in November.

Transcon Lines, Los Angeles, Calif.
Aug. 12 it was reported company plans issue and sale in October of 40,000 shares of common stock (par $2.50). **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

Washington Water Power Co.
Oct. 8, Kensey M. Robinson, President, stated that the company will come into the market early next year, probably in January, with $30,000,000 of new public financing, mostly in bonds, but may include some debentures. **Proceeds**—For construction program. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

Wisconsin Public Service Co.
Aug. 27 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds late in 1957. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co.

• **Wisconsin Southern Gas Co., Inc. (11/15)**
Oct. 17 it was reported company plans to offer about Nov. 15, for a 14-day standby, an additional 16,566 shares of common stock to its stockholders on a 1-for-7 basis. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Zale Jewelry Co., Dallas, Texas
Sept. 24 it was announced that a full registration will be made of a new issue of securities, the amount and other details not yet available. **Underwriter** — Eppler, Guerin & Turner, Inc., Dallas, Tex.

Our Reporter's Report

Fortunately underwriters were not burdened with any large or unwieldy volume of new corporate debt offerings this week. And for this there is no doubt they are truly grateful.

What with the stock market going down hard again under further heavy liquidation in the early days, and the seasoned bond market turning definitely soft, any substantial emission of new corporate offerings might have encountered poor reception.

As a matter of fact some bond market observers were definitely of the opinion that the "buying opportunities" afforded by the break in stocks were generating real competition for fixed-term securities among investment interests of seasoned character.

The crack in stocks has lifted yields on equities very substantially provided, of course, prevailing dividend rates hold over the long period and institutions which are in a position to do so reportedly have been on the buying side in the type of issues in which they would be interested.

The real hope in the current situation, as far as enlightened people are concerned, is the belief in such circles that current selling is being absorbed by buying of much stronger caliber, a normal development in situations such as now prevail.

Unless there is a rather rapid shoring up of the tottering equity market it appears likely that there will be some further shading of estimates on prospective corporate spending for expansion next year. This naturally would tend to reduce the burden on the money market in direct proportion to any downward revision.

Wishful Thinking?

Naturally in circumstances such as now prevail in the market places and in some sectors of business there is a tendency on the part of some people to turn their eyes toward Washington.

This is no surprise considering that the country, for more than a generation now, has been more or less educated to do just that. Pump-priming has become, to some, a permanent part of the anti-depression arsenal.

Accordingly there was plenty of discussion this week of the possibility of early Federal Reserve action to help bolster the situation by moving to ease money stringency either through a cut in the rediscount rate or through a downward revision in member banks' reserve requirements.

But the head of the Federal Reserve Bank of New York scarcely afforded any hope for early action of that nature in addressing the Bond Club a week ago. Rather, he indicated, a "lean into the wind" policy, as backed by Chairman William McC. Martin, Jr., was still the real prospect.

Consolidated Edison 5s

When Consolidated Edison Co. of New York brought its $60 million of first and refunding 30-year bonds to market this week it was forced to pay the highest price in 25 years for accommodation.

The highest bid received was 100.13999 for a 5% interest rate. And competing bids were received from two other groups for a 5¼% coupon rate, showing the temper of the current market.

The successful bidders reoffered the bonds at 100.777 to yield 4.95%. At the start demand was sluggish but was reported improved thereafter.

Focus of Interest

Next Tuesday American Telephone & Telegraph Co. will open bids for its offering of $250 million of 26-year straight debentures. Two banking groups headed by leaders who have become traditional since the advent of competitive bidding will seek the issue.

Naturally the rank and file is going to be watching this operation closely for it is generally believed that many investing groups have been keeping funds aside for a look at the merchandise.

Meantime, two large new undertakings came into the realm of early prospects if market conditions are right. Beneficial Finance Co. has registered $50 million of 25-year debentures for public offering. And Transcontinental Pipe Line Corp. plans to sell $20 million of debentures plus 1.8 million shares additional of common.

Join M. J. Ross Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard A. Winfree and George D. Givot have become affiliated with M. J. Ross & Co., 6505 Wilshire Boulevard.

With K. V. Spivey

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Clarence O. Wilson is now with K. V. Spivey & Co., 1732 Loma Vista. He was formerly with H. L. Jamieson Co., Inc.

With Thompson Sloan

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—Mildred C. Smith has joined the staff of Thompson & Sloan, Inc., 7805 Sunset Boulevard.

DIVIDEND NOTICES

ALUMINIUM LIMITED

DIVIDEND NOTICE

On October 16, 1957, a quarterly dividend of 22½¢ per share in U. S. currency was declared on the no par value shares of this company, payable December 5, 1957, to shareholders of record at the close of business November 5, 1957.

Montreal October 16, 1957 — JAMES A. DULLEA, Secretary

DIVIDEND NOTICES

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Manufacturers of Ceramic Wall and Floor Tile

COMMON STOCK DIVIDENDS
Declared October 16, 1957
Quarterly—15¢ per share
Extra—10¢ per share
Payable November 29, 1957
Record Date November 15, 1957

4% Stock Dividend
Payable December 16, 1957

GOODALL RUBBER COMPANY

COMMON AND PREFERRED DIVIDENDS

The Board of Directors has declared a quarterly dividend of $.125 per share on all Common Stock outstanding and regular semi-annual dividend of $2.50 per share on the 5% Preferred Stock, both payable November 15, 1957 to stockholders of record at the close of business November 1, 1957.

October 22, 1957 — H. G. DUSCH, Secretary & Treasurer

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 171 of fifty cents (50¢) per share on the common stock, payable January 15, 1958, to stockholders of record at the close of business on December 13, 1957.

GERARD J. EGER, Secretary

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 157 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable Dec. 2, 1957, to stockholders of record at the close of business on November 4, 1957.

GERARD J. EGER, Secretary

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on October 17, 1957, declared a regular quarterly dividend of forty cents (40c) per share on the Corporation's Common Stock. This dividend is payable November 29, 1957, to stockholders of record October 31, 1957.

LEROY J. SCHEUERMAN, Secretary

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

Delta AIR LINES

CASH DIVIDEND No. 41

The Board of Directors of Delta Air Lines, Inc. has declared a quarterly dividend of 30c per share on the capital stock of the company, payable December 2 to stockholders of record at the close of business November 18.

DELTA AIR LINES, INC.
General Offices: Atlanta, Ga.

DIVIDEND NOTICES

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable December 2, 1957 to stockholders of record November 15, 1957.

A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable November 30, 1957, to stockholders of record November 15, 1957.

M. E. GRIFFIN, *Secretary-Treasurer*

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

32 cents per share on its Common Stock ($15 par)

all dividends payable December 1, 1957, to stockholders of record November 15, 1957.

EDWARD L. SHUTTS, *Chairman*
October 22, 1957

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 75

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable December 13, 1957 to stockholders of record at the close of business on November 29, 1957.

H. D. McHENRY, Vice President and Secretary.
Dated: October 19, 1957.

Southern Railway Company

THE SOUTHERN SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, October 22, 1957.

A dividend of 1¼% (25¢) per share on 3,000,000 shares of Preferred Stock of Southern Railway Company of the par value of $20 per share has today been declared, payable December 13, 1957, to stockholders of record at the close of business November 15, 1957.

A dividend of seventy cents (70¢) per share on 6,491,000 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1956, payable December 13, 1957, to stockholders of record at the close of business November 15, 1957.

J. J. MAHER, Secretary.

DIVIDEND NOTICES

United States Pipe and Foundry Company

Birmingham, Ala., October 17, 1957

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable December 16, 1957, to stockholders of record on December 2, 1957.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

The United Gas Improvement Company

DIVIDEND NOTICE

A quarterly dividend of 50c per share on the Common Stock, par value $13.50 per share, has been declared payable December 19, 1957 to stockholders of record November 29, 1957.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable January 2, 1958 to stockholders of record November 29, 1957.

JOHNS HOPKINS, Treasurer
Philadelphia, October 22, 1957.

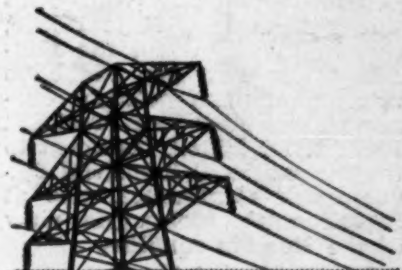
UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of fifty cents ($.50) per share payable December 18, 1957, to holders of Common Stock of record November 29, 1957, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

Directors also declared an extra dividend payable November 27, 1957, in shares of Common Stock amounting to 5% of the stock registered in the name of each stockholder of record on November 6, 1957.

WALTER E. FOX, *Secretary*
One Broadway, New York 4, N. Y.



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK, 4.08% SERIES
Dividend No. 31
25½ cents per share;

CUMULATIVE PREFERRED STOCK, 4.24% SERIES
Dividend No. 8
26½ cents per share;

CUMULATIVE PREFERRED STOCK, 4.88% SERIES
Dividend No. 40
30½ cents per share.

The above dividends are payable November 30, 1957, to stockholders of record November 5. *Checks will be mailed from the Company's office in Los Angeles, November 29.*

P. C. HALE, *Treasurer*
October 18, 1957

Edison

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Red Russian Sputnik, zooming in outer space, is the biggest story of its kind since a United States Air Force B-29 bomber, on Aug. 2, 1945, dropped the world's first atomic bomb in warfare, melting Hiroshima and bringing Japan quickly to her knees.

The National Security Council, housed in the old State Department building across the street from the White House offices, is probably meeting in overtime sessions, like the Defense Department, as a result of the Soviets launching the world's first man-made moon.

The Sputnik subject is certain to figure in many speeches and statements by members of Congress and others in the months ahead. A stormy session of Congress appears inevitable.

In addition to the Sputnik, the civil rights question (pro and con) will be bandied about, along with another battle of the budget, public education, foreign aid, farm problems, inflation, labor questions, and tax reduction proposals, plus some unforseen subjects.

It is possible that the United States may send its own satellite aloft in some dramatic fashion that could offset the Russian Sputnik. Meanwhile, the Eisenhower administration's top spokesmen, other than the President himself, have not been quite together on their public statements.

Conflicting Reactions

Former Gov. Sherman Adams of Massachusetts, President Eisenhower's assistant, whom many people feel pretty well runs things from the White House, sort of knocks down the Russian Sputnik in San Francisco at a Republican political dinner. A day later Vice-President Richard M. Nixon, speaking to the International Industrial Development Conference, also at San Francisco, took a grim view of the Russian satellite.

Mr. Adams told the party fund raisers that the United States never intended to get in a race with Russia to see who could launch a Sputnik first. Vice-President Nixon said that "we have had a grim and timely reminder of a truth we must never overlook—that the Soviet Union has developed a scientific and industrial capacity of great magnitude." As a result the Vice-President said this country must think of its scientific future and welfare before thinking about cutting taxes at the next session of Congress.

No Tax Reduction

Some qualified Washington observers believe that the Vice-President's statement concerning taxes may be the tip-off that the Administration will oppose a tax cut next year. Certainly the Vice-President, as far as the public is concerned, is a powerful figure in the Republican party today. At this time he is regarded as the Republican party's presidential nominee for 1960. Sen. William F. Knowland of California could become a contender, due to unforseen circumstances, but only if he wins the California governorship from Governor Goodwin Knight.

Although some critics of the Administration have been "sounding off" as a result of the Russian Sputnik, President Eisenhower has no intention of calling Congress into special session. There is no need for such action. Actually, the Defense Department and government agencies have all laws and money immediately needed.

Hiroshima—First Hand

Meantime, the Hiroshima bomb story remains the top scientific story of the century. This correspondent was one of the first Americans in devastated Hiroshima about a month after the bomb was dropped. Eight sickening hours were spent within the then ghostlike city. The vast eerie landscape of flattened, twisted and burned debris, the swarms of millions of flies, the stench of the unburied dead, seemed like a horrible nightmare.

The exact casualty figure will never be known. Japanese authorities and American scientists, then called the United States Bomb mission, placed the dead at from 70,000 to 120,000, and the wounded from 75,000 to 200,000.

Some 55,000 buildings were destroyed while the toll of destroyed and damaged reached 68,000. Japanese authorities gave up trying to remove bodies from the wreckage. More than 20,000 bodies were cremated without identification.

Almost everyone wearing dark clothing perished, one Japanese scientist said. It is a scientific fact that those wearing lighter clothing fared much better. Black buttons on white cloth were instantly melted away. Survivors near the center of the explosion heard no sound from the bomb, while those a mile or more away heard a tremendous explosion simultaneous with a blinding flash like a million flash light bulbs.

Many fantastic, almost unbelievable things took place, as the world now knows.

The United States Atomic 1957 nuclear bomb is more than a thousand times more powerful than the one that was flown 1,400 miles away from the table-top flat island of Tinian and dropped on the shipbuilding city of Hiroshima, which had a wartime population of nearly 400,000.

Because the modern bomb is too horrible to contemplate, there are many people who hope and believe there will never be an all-out war between two powerful opposing forces.

Atomic Program Quickened

A tremendous amount of scientific and engineering activity in connection with nuclear energy is getting underway at this time. Congress appropriated $2,300,000,000. The bills passed provide for the building of three experimental reactor projects, two at Hanford, Wash., and the other at Arco, Idaho. Nuclear reactors produce heat by splitting atoms or uranium, plutonium and thorium.

The authorities contend that further technological improvements will have to be made before nuclear power can become commercially feasible with the fissionable fuels of coal and natural gas. Testimony before Congress by some of the authorities also say that with growing populations and an ever increasing use of electricity, there is nothing in the forseeable future to indicate that atomic energy will substitute for hydroelectric stations and steam generators which are fueled with gas, oil and coal.

The AEC says the isotope program is the best thing about the entire atomic program. Thus far it has shipped 100,000 radio isotopes from Oak Ridge, Tenn. There are about 4,000 users of isotopes.

$18 Billion to Date

Senator Clinton P. Anderson of New Mexico, member of the AEC and former chairman of the commission, said the total atomic program has cost about $18 billion thus far. He said the Federal outlay is now returning about a half-billion a year to this country.

"The isotope program," said Senator Anderson, "promises to bring about the wonders we have been talking about for so many years. It probably will pay the way for the entire atomic enterprise, weapons and all. We have only started in the isotope field. There are 288,000 industrial firms in the United States."

Rep. Carl T. Durham, member of the joint Congressional Atomic Energy Committee, maintains that atomic energy has now become a part of our foreign policy. While the United States is leading in reactor technology, the North Carolina Democrat contends that this country is being challenged seriously in large-scale development by Britain and the Soviet Union. He contends that with rising costs for conventional fuels, plus an increasing drain on our coal, gas and oil, the United States will need all the atomic power it can get in the next 15 years.

Speed in Britain Essential

Britain insists that nuclear power is already as cheap to produce as coal in Britain. Britain, unlike the United States, has few natural resources. The United States does not have to have atomic power to expand its economy.

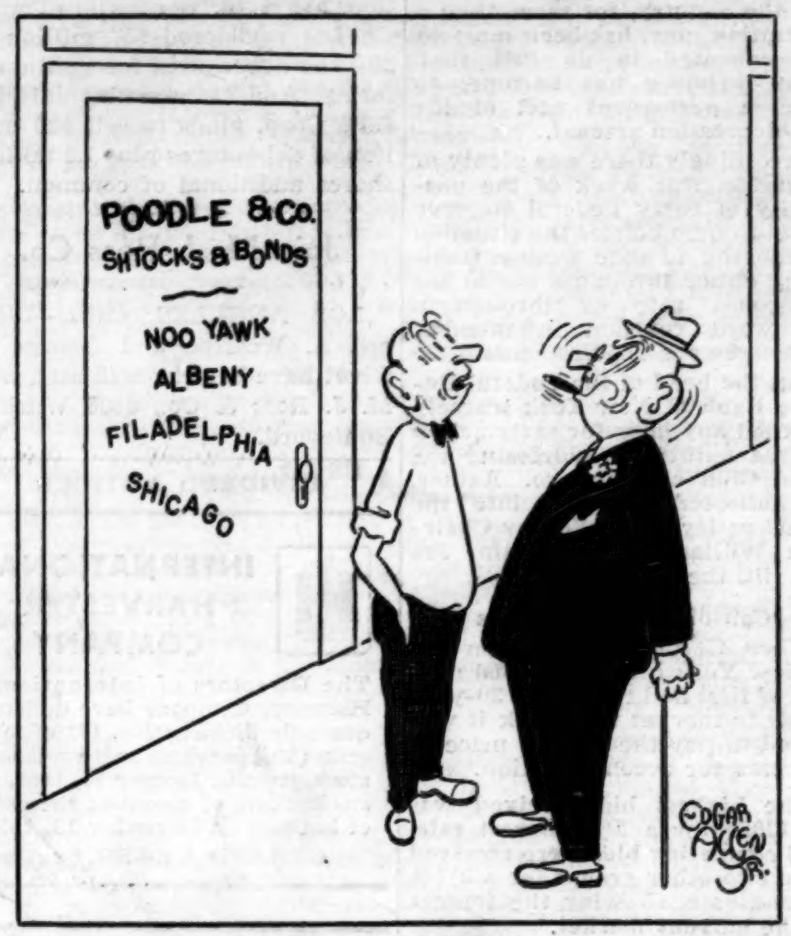
Plutonium the Key

The authorities in Washington say that scientists all over the world will be interested in the construction of the plutonium recycle plant, which will cost up to $15,000,000. Plutonium is produced in all natural uranium reactors. If economic atomic power is to be developed, there must be found the secret of using plutonium, as well as uranium, as fuel in reactors. The experimental reactor will try to find that secret. The other two reactors will be designed for engineering study.

"We seldom think of strawberries," said Senator Anderson, "when atomic energy is mentioned. Atomic energy has produced the world's ugliest strawberry, and some of its biggest dandelions. Present discoveries promise health and wealth and an ease of living beyond calculation. They hint of a dazzling array of day-to-day advances, at days filled with play and very little work, travel out among the stars, push button weather and even eternal life."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"I had a suspicion the sign painter had a couple under his belt at the time!"

Business Man's Bookshelf

Aid to Education: A Six-Part Program — Gulf Oil Corporation, Pittsburgh, Pa. (paper).

How to Make Money Make Money — Henry Gellermann — Thomas Y. Crowell Company, 432 Fourth Avenue, New York 16, N. Y. (cloth), $4.50.

Illustrated Medical and Health Encyclopedia—Dr. Morris Fishbein, Editor — H. S. Stuttman Company, New York, N. Y. (four volumes) $19.50.

Inflation and Deflation in Pension Planning — Meyer M. Goldstein — Pension Planning Company, 625 Madison Avenue, New York 22, N. Y. (paper).

Introduction to Operations Research — C. West Churchman, Russell L. Ackoff, and E. Leonard Arnoff—John Wiley & Sons, 440 Fourth Avenue, New York 16, N. Y., $12.00.

Labor's Occupational Outlook Handbook — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York, N. Y.—$4.

Land Tenure and Land Taxation in America—Aaron M. Sakolski —Robert Schalkenbach Foundation, 50 East 69th Street, New York 21, N. Y. (cloth), $3.50.

NATO, A Critical Appraisal—Gardner Patterson and Edgar S. Furniss, Jr. — Princeton University Press, Princeton, N. J. (paper).

Problems in Marketing—Malcolm P. McNair, Milton P. Brown, David S. R. Leighton and Wilbur B. England — McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. $7.

Ride of the Fates—Pardo de Rensis—P. de Rensis & Company, 126 State Street, Boston 9, Mass. (paper), $1.50.

Trends in Education and Utilization of Technical Manpower—A Critical National Issue—Council for Technological Advancement, 1200 Eighteenth Street, N. W., Washington 6, D. C. (paper), on request.